Atlantic Provinces Transportation Commission

1990 • 1991

# Transportation Review

# and

# Annual Report

. . . Over 60 Years of Service

Atlantic Provinces Transportation Commission

91-06524/

# Transportation Review and Annual Report for the Year Ended March 31, 1991

The Atlantic Provinces Transportation Commission has offices at Suite 210, 236 St. George Street, Moncton, New Brunswick. The services of the Comission are available to individuals, corporations and trade groups doing business in the Provinces of Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador.

# Atlantic Provinces Transportation Commission

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Moncton
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*The Honourable Sheldon Lee*
*Minister of Transportation*
*Province of New Brunswick*
*Fredericton, NB*

*The Honourable David Gilbert*
*Minister of Works, Services & Transportation*
*Province of Newfoundland and Labrador*
*St. John's, NF*

*The Honourable Ken Streatch*
*Minister of Transportation*
*Province of Nova Scotia*
*Halifax, NS*

*The Honourable Gordon MacInnis*
*Minister of Transportation & Public Works*
*Province of Prince Edward Island*
*Charlottetown, PE*

*Honourable Ministers:*

*On behalf of the Directors, I am pleased to present the "Transportation Review and Annual Report" of the Atlantic Provinces Transportation Commission for the period April 1, 1990, to March 31, 1991. This report attempts to review transportation developments in Canada, particularly as they relate to the Atlantic Provinces. In addition, it covers some of the activities of the Commission during the year 1990-91.*

*Many industries throughout the Atlantic Region have benefited again this year from the Commission's activities. This service to the business community and to your governments is possible only through the financial support provided by the Governments of Nova Scotia, New Brunswick, Prince Edward Island, and Newfounaland and Labrador.*

*Mindful of the investment of public funds in the Commission, I am pleased to report that, in my opinion, the operations of the Commission are conducted in an efficient and business-like manner.*

*All of which is respectfully submitted.*

*Brian K. Wentzell*
*Chairman*

## *LETTER FROM THE GENERAL MANAGER*

*In one sense, transportation might be referred to as a never ending battle. By this, I do not mean that things are any worse now than before or that shippers are not well served by transportation modes and carriers. In fact, from a shipper's point of view, things have never been better. There are more transportation choices offering favourable rates today than ever before. In effect, it is a buyer's market for shippers.*

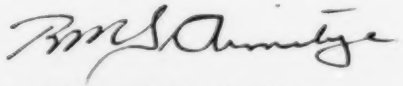
*Despite this, one needs only to scan through the pages of this report to realize that there are many transportation issues in the forefront of attention on an ongoing basis. To deal with such issues in a constructive way, it is important to have not only an expert staff with ready access to good resource information but also a knowledgeable Board of Directors. The APTC has been blessed with both attributes over many years.*

*Members of the staff and Board of Directors are identified on page 8 of this report. As noted elsewhere in this report, the staff have undergone some major changes and realignment so that the APTC will be better equipped to deal with transportation economics and regulatory issues. This is reflected in new staff titles and areas of responsibility.*

*APTC Directors are appointed in two ways - one-half by the Atlantic provincial governments and the remainder by the Atlantic Provinces Chamber of Commerce. The Directors represent a good cross-section of business and professional people from throughout the Atlantic Provinces and serve without remuneration. An important liaison with the region's governments is maintained through Directors from the Departments of Transportation in each of the Atlantic Provinces. Apart from attending at least three meetings per year, the Directors are inundated with a constant stream of literature and briefing material on transportation issues in response to which they must maintain a high degree of familiarity and contribute to policy formulation.*

*The APTC has been well served by dedicated Chairmen and Managers throughout its history of over 60 years. Despite the passage of time, many of the names of former Chairmen and Managers will be known and remembered today. To set the record clearly in place, the inside back cover of this report contains a complete list of both Chairmen and Managers commencing with the year 1925.*

*The APTC is a unique organization in terms of structure and purpose and fulfils an important role on behalf of manufacturers, producers and shippers throughout the Atlantic Provinces. Comments and suggestions on the work of the Commission are always welcome.*



*Ramsay M. S. Armitage*
*General Manager*

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## *APTC DIRECTORS AT MARCH 31, 1991*

**NOVA SCOTIA**

**Government**

| | |
|---|---|
| D. J. MacDougall | Halifax, NS |
| I. Parker | Truro, NS |
| G. Comeau | Church Point, NS |

**Atlantic Provinces Chamber of Commerce**

| | |
|---|---|
| E. R. Dalton | Port Williams, NS |
| J. H. MacDonnell | Port Hawkesbury, NS |
| C. A. Meisner | Liverpool, NS |

**NEW BRUNSWICK**

**Government**

| | |
|---|---|
| F. H. Hatfield | Hartland, NB |
| D. L. Johnson | Fredericton, NB |
| D. Kenny | Bathurst, NB |

**Atlantic Provinces Chamber of Commerce**

| | |
|---|---|
| F. Beairsto | Fredericton, NB |
| G. Carter | Belleisle Creek, NB |
| T. Millar | Saint John, NB |

**PRINCE EDWARD ISLAND**

**Government**

| | |
|---|---|
| K. A. MacKenzie | Charlottetown, PE |
| D. A. Scales | Charlottetown, PE |

**Atlantic Provinces Chamber of Commerce**

| | |
|---|---|
| G. Ching | Souris, PE |
| G. Key | Summerside, PE |

**NEWFOUNDLAND AND LABRADOR**

**Government**

| | |
|---|---|
| W. T. Beckett | St. John's, NF |
| E. Hearn | Labrador City, NF |

**Atlantic Provinces Chamber of Commerce**

| | |
|---|---|
| B. K. Wentzell | Corner Brook, NF |
| W. E. Doyle | St. John's, NF |

**EX OFFICIO**

| | |
|---|---|
| D. Miller, President, Atlantic Provinces Chamber of Commerce | Moncton, NB |

## *STAFF*

Ramsay M. S. Armitage, General Manager
Peter A. Vuillemot, Assistant General Manager
Jack A. MacQuarrie, Transportation & Distribution Officer
Dale V. Ronalds, Senior Transportation Analyst
Brian A. Botten, Research Analyst
Daniel E. Long, Research Analyst
Debbie E. Matchett, Transportation Analyst
Mona E. Savoie, Transportation Analyst
Charles D. Mollins, Information Systems Officer
Sheldon B. Steeves, Administration & Accounting Officer
Cathy E. Peters, Staff Secretary
Debbie L. MacLellan, Assistant Staff Secretary

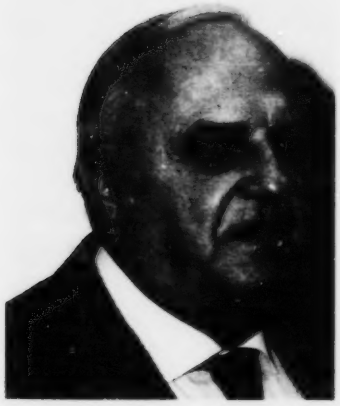
# *1990 - 1991 EXECUTIVE COMMITTEE*

**BRIAN K. WENTZELL**
Chairman, APTC
Poole, Althouse, Clarke, Thompson & Thomas
Corner Brook, NF

**DAVID A. SCALES**
Vice-Chairman, APTC
and President
Island Fertilizers Ltd.
Charlottetown, PE

**W. TOM BECKETT**
Director, Policy & Planning
Province of Newfoundland and Labrador
St. John's, NF

# *1990 - 1991 EXECUTIVE COMMITTEE*



**FRED H. HATFIELD**
General Manager Emeritus
Humpty Dumpty Foods Limited
Hartland, NB

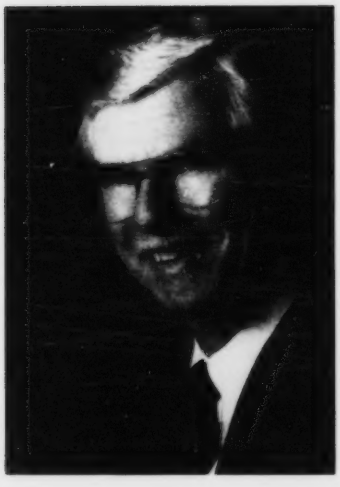
**DOUGLAS L. JOHNSON**
Acting Director
Transportation & Communications Policy Branch
Province of New Brunswick
Fredericton, NB

**DON J. MacDOUGALL**
Director, Transportation Policy
Province of Nova Scotia
Halifax, NS

# *1990 - 1991 EXECUTIVE COMMITTEE*

**KEN A. MacKENZIE**
Director, Transportation Policy
Province of Prince Edward Island
Charlottetown, PE

**C. ARNOLD MEISNER**
Manager
Eacan Timber Ltd.
Liverpool, NS



**RAMSAY M. S. ARMITAGE**
General Manager
Atlantic Provinces Transportation Commission
Moncton, NB

## *COMMISSION STAFF*

Left to Right: Seated - Debbie Matchett, Jack MacQuarrie, Ramsay Armitage, Peter Vuillemot, Mona Savoie;
Standing - Cathy Peters, Charles Mollins, Brian Botten, Sheldon Steeves, Dan Long, Debbie MacLellan, Dale Ronalds

# OBJECT AND FUNCTIONS OF THE ATLANTIC PROVINCES TRANSPORTATION COMMISSION

The object of the Atlantic Provinces Transportation Commission is to obtain for persons and industries in the Atlantic Provinces the best transportation services possible at a cost which will permit the Atlantic Provinces to compete in the markets of Canada and throughout the world.

To this end, included in the functions of the Atlantic Provinces Transportation Commission, as approved by the Directors of the Commission, are:

*(1) To maintain suitable files of carriers' tariffs and other publications to provide shippers, receivers and non-government agencies with data and expertise on rates and charges by all modes of transport;*

*(2) To circulate information on transportation developments, including rates, service and policy changes; a periodical newsletter, "Tips & Topics", being one of the vehicles used for this purpose;*

*(3) To negotiate directly with, or to make representations to, carriers or their agencies on behalf of all transportation users to obtain the best possible rates and services;*

*(4) To assist shippers, receivers and non-government agencies or groups with advice on transportation or distribution matters, including the preparation and presentation of briefs and submissions;*

*(5) To assist carriers when such assistance is consistent with the Commission's overall objective;*

*(6) To provide technical advice to the governments and government agencies of the Atlantic Provinces, including detailed studies on specific industries and continuing programs tailored to the needs of the particular province or provinces;*

*(7) To supply information to the governments of the Atlantic Provinces, individually or collectively, pertinent to the assessment or formulation of transportation policy;*

*(8) To assist the governments of the Atlantic Provinces, individually or collectively, in the preparation and presentation of submissions and representations to the federal government or its agencies;*

*(9) To continually review the transportation system serving the region and, where required, make recommendations to the provincial governments for improvements in the system whether it be public or private;*

*(10) To make representations to the provincial governments, subject to the approval of the Directors of the Commission; and,*

*(11) To make such public statements or submissions in regard to federal or provincial policy as shall be approved by its Directors, the provincial governments, or both.*

The services of the Commission are available by contacting the Commission's office at 236 St. George Street (Suite 210), Moncton, NB. Inquiries should be directed to the General Manager, Atlantic Provinces Transportation Commission, P. O. Box 577, Moncton, NB, E1C 8L9, Telephone (506) 857-2820, Fax (506) 857-2835.

# GENERAL TRANSPORTATION REVIEW

## Introduction

The transportation industry continued to be negatively affected by the economic recession during the past year. Markets continued to decline while, at the same time, economic deregulation of transportation gained a stronger foothold. Competition between modes and carriers was extremely intense which helped to constrain increases in rates. An offsetting feature, however, was the unstable fuel prices and the imposition of fuel surcharges by truck, marine and air carriers to offset extreme increases in fuel prices. Many carriers in the rail and highway modes, in particular, reported reduced revenue earnings in 1990 compared to 1989.

There were a number of issues affecting transportation in 1989-90. These included double-stack service for the Port of Halifax, highway funding and construction, truck blockades, fuel taxes, federal cost recovery, environmental concern over the fixed link proposal and Atlantic port competitiveness. These and other transportation developments and statistical data are presented in the pages that follow.

## Rail

Total rail carload tonnage loaded in Canada decreased by 1.7% in 1990 as shown in *Table 1*. Eastern Canadian loadings declined by 6.2%, while intermodal container and trailer traffic showed decreases of 3.5% and 9.3% respectively.

*Table 1*

**RAILWAY CARLOADINGS**
**(Tonnes '000)**

| | 1990 | 1989 | % Change |
|---|---|---|---|
| Carload Traffic Loaded - Eastern Division | 107,129.5 | 114,163.6 | -6.2 |
| Carload Traffic Loaded - Western Division | 130,461.5 | 127,606.5 | 2.2 |
| Carload Traffic Loaded | 237,591.0 | 241,770.0 | -1.7 |
| Non-Carload Traffic Loaded | 31.0 | 34.5 | -10.1 |
| Containers on Flat Car Loaded | 9,094.8 | 9,428.8 | -3.5 |
| Trailers on Flat Car Loaded | 3,916.8 | 4,318.2 | -9.3 |

Source: Statistics Canada Railway Carloadings December, 1990, Catalogue 52-001

Financial results of Canadian National Railway and Canadian Pacific Limited, as taken from the companies' annual reports, for transportation related services are shown in *Table 2*.

*Table 2*

| | 1990 | 1989 |
|---|---|---|
| **CANADIAN NATIONAL RAILWAYS (In Millions $)** | | |
| System Net Profit | 7.7 | 205.8 |
| Income From Divisions Before Taxes: | | |
| CN Rail | -110.7 | 125.0 |
| Grand Trunk Corporation | -10.6 | 13.7 |
| **CANADIAN PACIFIC LIMITED (In Millions $)** | | |
| System Profit | 355.3 | 745.1 |
| Net Income - Transportation | 144.6 | 105.9 |
| Income From Divisions Before Taxes: | | |
| CP Rail | 126.9 | 64.0 |
| CP Ships | 3.8 | 14.2 |
| CP Trucks | -18.5 | -0.7 |
| Laidlaw Transportation | 32.4 | 28.4 |

Source: Canadian National Railway Annual Report
Canadian Pacific Limited Annual Report

Transportation subsidy payments received to December 31, 1990, by Canadian railways under the terms of the National Transportation Act, 1987, are illustrated in *Table 3* below and *Graph 1* on the next page.

*Table 3*

**TRANSPORTATION SUBSIDY PAYMENTS ADMINISTERED UNDER THE TERMS OF THE NATIONAL TRANSPORTATION ACT, 1987 (Payments to December 31, 1990)**

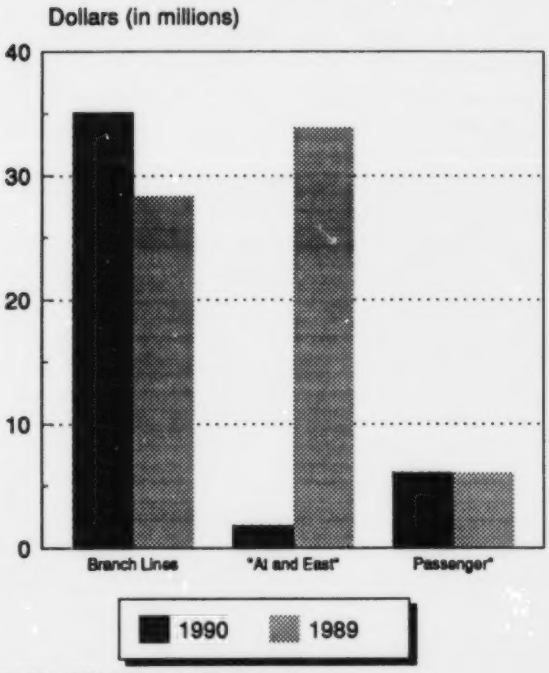
| | 1990 | 1989 |
|---|---|---|
| | (In Millions $) | |
| Western Grain Transportation Act | 645.2 | 568.3 |
| Branch Lines Operated by Railways | 35.0* | 28.3 |
| "At and East" | 1.8 | 33.8 |
| Non-VIA Passenger Train Service | 5.8 | 6.0 |
| Total | 687.8 | 636.4 |

* Revised from last year's annual report to include payments for prior year.

Source: National Transportation Agency Annual Report 1989 and 1990

*Graph 1*

**TRANSPORTATION SUBSIDY PAYMENTS**




* Non-VIA Passenger Train Service

Source: National Transportation Agency Annual Report 1989 and 1990

Citing financial restraint, CN Rail has continued to delay implementation of a double-stack rail service to Halifax and construction of a domestic intermodal terminal in that city. Port officials in Halifax have been pressing CN Rail for several years to implement a double-stack service. CN Rail's Chairman, Brian Smith, in an address to Halifax Port Days, stated that ". . . the financial return to CN, in light of the capital investments already made and not yet fully depreciated, would not be sufficient to justify this major new investment by our company in these times of economic slowdown." However, Mr. Smith did invite those supporting double-stack service to join CN in the financial aspects of the project. He suggested that interested parties might include the Halifax Port Corporation, terminal operators, shipping lines and various government agencies. He concluded by expressing a willingness to entertain any proposals along these lines to speed up the implementation of double-stack service. However, he warned that double-stack service would not solve all of the Port's problems, referring to the need to have a level playing field with U.S. carriers.

CN Rail has indicated that its long term plans consist of a main line running from Halifax to Vancouver, plus some strategic secondary lines, resource lines and border connections. CN Rail also intends to share some lines with CP Rail, rather than both railways operating parallel under-utilized lines. All other lines which remain will be in the hands of short line railways.

CN Rail has invested $15 million to launch a domestic double-stack system between Moncton and Toronto to counter truck competition. CN Rail has ordered 550 aluminum containers and 440 chassis. The company expects to eventually handle only containers in its Plan II intermodal service. CN Rail has also begun increasing overhead clearances on the rail line between Moncton and Toronto by undercutting the rail bed. This was expected to cost about $1.3 million. In addition, thirty new locomotives were delivered to CN Rail in early May. They are currently being used on CN Rail's Laser train service between Toronto and Moncton.

Edmundston became the eighth Canadian location to offer CN Rail's cargo-flo freight distribution service. Bulk goods are shipped by train and then transferred to trucks for the final delivery. The Edmundston facility handles mainly flour, feed grains and fertilizers.

The Canadian Atlantic Railway (CAR) proposed a plan for the consolidation and rationalization of railway services in western New Brunswick. The plan provided for the continuation of railway services on segments of rail line that may have the potential for economic operation in the future; applications to abandon lines that show no prospect of becoming viable; and a co-service arrangement between CAR and CN Rail.

The plan would see service maintained by CAR from Nackawic to Fredericton, Fredericton to Oromocto, Fredericton to Fredericton Junction and Cyr Junction to Grand Falls. A co-service arrangement with CN Rail proposed that CN Rail would assume responsibility for serving CAR customers from Edmundston to Grand Falls, with CAR looking after CN Rail customers in the Fredericton and Oromocto areas. In late 1990, CN Rail advised CAR that it could not go along with the plan, as CN did not see any direct benefit in entering into such an arrangement.

Improved transloading facilities have been added by CAR at Saint John for handling

specialized bulk commodities. These include a steam heating system for the transfer of vegetable oils and similar commodities from rail to truck for delivery in Prince Edward Island and Nova Scotia, and a fish meal transloading facility for bulk export by ship.

In the July 14, 1990, Part I of the Canada Gazette, the National Transportation Agency published proposed "Railway Traffic Liability Regulations", with the purpose of replacing the previous regulations covered by Canadian Transport Commission General Order T-5. Because the National Transportation Act does not permit the Agency to prescribe terms and conditions for the carriage of traffic, the new regulations were intended to clarify and reinstate the provisions of T-5. After publication in the Gazette, the APTC responded to the Agency's request for further input by submitting suggested changes to ensure the continued protection of shippers previously afforded by the T-5. As of this writing, no indication of further changes or finalization by the Agency has been received.

An application was received in May by the National Transportation Agency from Maritime-Ontario-Quebec Rail Inc. (MOQ), for running rights and joint track usage on CN Rail lines between Detroit, MI, and Moncton, NB. The technology which MOQ plans to utilize is similar in concept to the roadrailer system. Although the system has never been tested on a commercial basis, the system's proponents claim that it is a more reliable, cost effective, less polluting and a safe transportation service. A notice of public hearing regarding running rights and joint track usage was issued by the Agency in January, 1991, for early April, 1991. In March, MOQ requested the hearings be postponed until September, 1991, to allow for the preparation of a number of reports MOQ wishes to use as evidence at the hearing. This request was granted. Because the effect of this service on the long term viability of lines in the region is not yet clear, it was decided that the APTC would neither oppose nor support the application at the hearings, but would be monitoring the proceedings with interest.

Clarke Transport Canada Inc. acquired the Railfast Division of TNT Canada Inc. on December 21, 1990. Clarke Transport is a major rail freight forwarding company with direct service between central Canada to all major points in eastern and western Canada. Clarke Transport operates terminals in nine cities in Atlantic Canada. The Clarke Railfast Division of Clarke Transport was created following the acquisition of TNT Railfast. It is now Canada's largest pool car operator, providing freight consolidation and rail forwarding services coast to coast.

The APTC appeared before the Royal Commission on National Passenger Transportation in July. Details are highlighted on page 25 of this report.

## *Highway*

Although the federal government has still made no commitments towards funding a complete twinning of the Trans Canada Highway in New Brunswick or Nova Scotia, work was started by the New Brunswick government on twinning certain sections of the highway in 1990, using funds from the Arterial Highway Trust Fund which was established in January, 1989, and funded by a tax increase on diesel fuel and gasoline. After considering several options, including a route through central New Brunswick, the provincial government determined that twinning of the Trans Canada Highway should be constructed as closely as possible to the present highway. Moreover, 30% to 40% of the present highway route is not suitable because of "ribbon" development along populated areas. Plans for one of the most congested sections in New Brunswick, in the Fredericton area, remain unresolved. In Nova Scotia, a dedicated fuel tax of 2 cents per litre for gasoline and 4.5 cents per litre for diesel fuel was established to provide a trust fund for funding the maintenance and upgrading of the province's "100 series" highways. This will include immediate needs, such as constructing a four-lane highway between Truro and Amherst, and between Truro and New Glasgow. Both of these projects were in the planning and early construction stages in 1990, and are expected to cost more than $250 million by the time they are completed.

In April, 1990, Ontario introduced legislation to permit the use of 16.15 m (53 feet) semi-trailers and 25 m (82 foot) overall combination length vehicles and Quebec indicated that it would do likewise. As a result, Atlantic Canada would have been the only part of the country restricting these larger vehicles. With a new government in Ontario, the legislation allowing longer vehicles in that province was postponed. This subject is discussed in more detail in the "Vehicle Weights and Dimensions" section on page 28.

Shippers in the Atlantic Provinces experienced delays in late May in the movement of goods to Quebec, Ontario and beyond during a truck blockade at border points. This was particularly a problem for shippers of perishable products. The blockade was a protest by independent truckers who felt they were at a competitive disadvantage with American truckers because of higher fuel taxes, less favourable depreciation allowance, high interest rates and a lack of enforcement of laws limiting U.S. carriers' activities. The blockade was lifted following meetings with federal Transport Minister Doug Lewis, who agreed to step up enforcement of cabotage and look at other concerns of the truckers. The APTC submitted a discussion paper on trucking industry issues for the task force on trucking industry problems, which outlined the APTC's support of the principle of market forces being the prime agent in providing viable and effective transportation services, the need to enforce existing cabotage laws as American authorities did with Canadian carriers, and to examine the effects of any actions taken on a national basis to ensure specific regional needs are not negatively affected.

The APTC also wrote a discussion paper for the Task Force on Owner Operators, which was set up by the Council of Ministers Responsible for Transportation and Highway Safety. The paper discussed the importance of load brokers in providing transportation services to shippers in Atlantic Canada, the relationship between carriers and owner operators, and urged that government involvement in the establishment of ethical standards between carriers and owner operators be kept to a minimum.

Technical amendments to the federal Motor Vehicle Transport Act, 1987, were published in Part II of the Canada Gazette on July 7, 1990, and came into effect at that time. The purpose of the amendments is to reduce the administrative burden of the Act. Changes include the removal of the proof of insurance requirement before approval of the licence application. The amendment allows the applicant to provide evidence that it has undertaken to purchase the required insurance. Other amendments include reduced level of cargo insurance for carriers hauling low value goods and safety performance investigations are now limited to the applicant and the applicant's drivers. The investigations are no longer required for shareholders, officers and employees.

Both Midland Transport Ltd. and Day & Ross Inc. announced new services in the past year. Midland announced that, effective October 1, 1990, all Midland Transport shipments from Toronto, Montreal and Quebec City to Atlantic Canada, as well as shipments within Atlantic Canada, are guaranteed to be delivered on or before the scheduled delivery date or freight charges will be fully refunded. Day & Ross began offering guaranteed expedited overnight service between all major centres in the Maritimes, as well as expedited two or three day service between Montreal and Toronto and major centres in the Maritimes or freight charges will be fully refunded.

In November, the APTC wrote to the four Ministers of Finance in Atlantic Canada regarding the effect of the "ad valorem" system of provincial fuel taxation used by the Atlantic provinces. With the Persian Gulf crisis and subsequent rapid increases in fuel prices, the ad valorem tax, which is based on a percentage of the price of the fuel, increased the rate of taxation, negatively affecting both the trucking industry and the competitive position of the region's manufacturers and producers. Temporary action to stabilize the rate of provincial taxation on commercial fuel was requested until the return of more normal petroleum product market conditions. For the most part, the Ministers recognized the need to delay implementation of fuel tax changes to assist both the region's trucking industry and shippers.

Sharp increases in fuel prices from the Persian Gulf crisis led to the implementation of fuel surcharges by many carriers. Surcharges climbed as high as 7% by the end of 1990, before levelling off and declining. At the end of March, 1991, most of the surcharges had been removed.

Several carriers in Atlantic Canada ceased operations or merged their operations in 1990. Among these carriers were MacKenzie's Transfer Limited of Musquodoboit Harbour, NS, and Summers Transport of Mount Pearl, NF, both of whom ceased operations in 1990. Jumbo Motor Express Ltd. of Etobicoke, ON, which had three terminals in Atlantic Canada, ceased operations in March, 1991. Valley Transfer Limited of Windsor, NS, was acquired by Merks Farms Limited of Wolfville, NS.

## *Air*

The air transportation system in the Atlantic Provinces continued to experience considerable change during the past year. Intair Inc., which provided service between Charlo, Chatham,

Moncton and Charlottetown to central Canada, dropped its service to the Atlantic Region in mid-year 1990.

The withdrawal of trunk carrier services from a number of centres continued. Canadian Airlines International withdrew jet service from Saint John, Fredericton and Charlottetown. Its regional connector, Air Atlantic, initially picked up the slack, resulting in little inconvenience to the passengers. Air Canada withdrew its direct flight from Charlottetown to Ottawa. Air Nova increased its Charlottetown-Halifax service by one flight per day during the peak summer period. Air Nova reduced its scheduled service from Gander to Deer Lake, Goose Bay, Halifax and St. John's.

Air Atlantic's withdrawal of service to Yarmouth, the Magdalen Islands, Portland and Bangor was experienced in September, 1990. A reduction to one direct flight per week from Saint John to Montreal was also seen in Air Atlantic's scheduled service although the number of indirect flights increased.

Improvements and increases in flight frequencies and route patterns in a number of areas were recorded in 1990. Air Nova was the selected carrier to offer scheduled international service between Halifax and New York using its BAe 146 aircraft.

As a result of Air Canada's almost complete termination of jet service to Newfoundland with only one flight per day remaining from Halifax to St. John's, Air Nova increased its service from two jets per day through St. John's to five, with more frequent flights between Deer Lake-Corner Brook and Halifax. Air Nova increased service to Bathurst by one flight per day and introduced new morning and evening non-stop flights in both directions between Fredericton and Ottawa. Air Nova increased the number of jet and turbo-prop flights to Boston, Charlottetown, Sydney, Yarmouth, Moncton, Deer Lake, Goose Bay and St. Anthony.

Air Atlantic introduced new jet service to Deer Lake and Sydney. As a result of Canadian's withdrawal of jet service, Air Atlantic introduced two daily non-stop Moncton to Toronto, one daily non-stop return Saint John to Toronto and daily Fredericton to Toronto. The jet service was, however, suspended in the latter part of the year when Air Atlantic announced withdrawal of jet service from New Brunswick. Air Atlantic improved its scheduled service to Chatham and Charlo increasing their flights from one to two per day.

Provincial Air Lines introduced a new route in September, 1990, to service the northern area of St. Anthony, Goose Bay, NF, and Blanc Sablon, PQ.

Air Nova and Air Atlantic continued to expand their fleet in 1990. Air Nova purchased an additional BAe 146 jet. Its five BAe jets underwent configuration changes to allow for ten executive class seats, allowing it to be the first regional airline to provide this service. Air Nova introduced Dash 8 service in its Deer Lake-St. Anthony-Blanc Sablon route replacing its 19-passenger Beech-99 aircraft. Air Atlantic purchased three BAe 146 jets and sold three of its Dash 8 series. Provincial Airlines added a King Air 200 turbo prop to its fleet, Air St. Pierre added a Hawker Siddley 748 and Air Canada added two Airbus 320 jets to its Atlantic Region service. Air Canada is in the process of changing its fleet of Boeing 727 aircraft to the Airbus 320 which has similar seating capacity.

Both Air Atlantic and Air Nova continued to contract with their respective affiliated trunk carriers for the carriage of freight on a space/weight availability basis. Supplementing this, Air Nova began handling and marketing their own cargo service. A track system is used for handling containers in the passenger compartment of the aircraft which is used during off-passenger hours providing for greater utilization of their Dash 8 by stripping the aircraft of its seats and loading it with cargo. After the return flight, the aircraft is prepared for the next morning's passenger flights.

KLM Royal Dutch Airlines increased its twice weekly freight service capacity during the winter months to meet demand. On its Sunday evening flight from Halifax to Amsterdam space was created for an additional six pallets or 30,000 kg each week on their Boeing 747 Combi.

The Air Canada cargo centre in Moncton continued to provide a high level of service and reported a 20% increase in cargo volumes handled for the year 1990. The Moncton airport saw the completion of a $1.25 million expansion which included doubling the size of the security hold, an expansion of the ticketing lobby, as well as additional restaurant space. The federal Minister of Transport announced late in 1990 further improvements planned for the Moncton facility. A

$3.8 million taxiway running parallel to the main runway will be constructed, with completion expected in October, 1991. This taxiway will expedite take-offs and landings at the airport and will serve a future air cargo facility proposed by private investors. The Minister also announced plans for a passenger loading bridge for use with the larger aircraft serving the airport. The bridge would result in greater passenger comfort while boarding the planes. As of this writing, however, the necessary financial commitments from the airlines had not been finalized.

At the Halifax airport $6.8 million was spent during 1990 for the expansion of the aircraft parking apron to provide space for four additional aircraft, a revised road system, a passenger hold room, and a modified preboarding security area. Air Nova's new $5 million maintenance and repair facility at the Halifax Airport was officially opened in October, 1990.

A new combined services building for the St. John's airport was completed in 1990, while a new passenger terminal building in Deer Lake was completed in February, 1991.

Late in 1990 plans were announced for the buy out by Air Canada of its affiliated regional connector, Air Nova. The purchase, which was finalized in January, 1991, included the purchase of Atlantis Investment's 51% share in Air Nova by Air Canada which previously owned a 49% share in the airline. According to officials from both airlines, Air Nova will remain and continue to operate as a separate entity. Meanwhile, plans were announced regarding the PWA Corp. intention to purchase the 55% shares of Air Atlantic held by Mr. Craig L. Dobbin. In early February, 1991, both parties announced they have decided not be proceed with the sale.

*Table 4*

**AIR CANADA**
**(Millions)**

| | 1990 | 1989 | % Change |
|---|---|---|---|
| Net Income ($) | -74.0 | 149.0 | -149.7 |
| Revenue Cargo (Ton Miles) | 645.0 | 595.0 | 8.4 |
| Revenue Passengers Carried | 11.8 | 12.0 | -1.7 |
| Revenue Passenger Miles | 16,577.0 | 16,278.0 | 1.8 |
| Passenger Load Factor | 71.4% | 69.7% | 2.4 |

Source: Air Canada Annual Report

*Table 4* shows the operational statistics for Air Canada for the year 1990. (Figures for Canadian Airlines International, Air Atlantic and Air Nova are not available.)

## Marine

Amendments to the Public Harbours Regulations increased tariffs applicable at public harbours and ports. A general increase of 9% was applied to charges for wharfage, storage, berthage, wintering, summer lay-up and ship-to-ship transfers of goods. An exception to this increase was wharfage rates on salt and grain, which increased 4.5%.

On October 1, 1990, the shareholders of Atlantic Container Express (ACE), Atlantic Searoute Limited (ASL) and Newterm Limited agreed to exchange shares and form a partnership under a new management company. ACE provides freight service between Montreal, Corner Brook and St. John's. ASL operates two ships between Halifax, Corner Brook and St. John's. Newterm operates marine cargo terminals in the ports of Corner Brook and St. John's. The new arrangement allows for pooling and rationalizing equipment and the centralization of repair and maintenance facilities. ASL lost the service of the *M/V Cygnus* when the United States government re-chartered the vessel shortly after the Persian Gulf Crisis began. In January, 1991, ASL time-chartered the 284 TEU *Aivik*, a container roll-on/roll-off vessel which also has heavy lift capability, to take the place of the *Cygnus*.

The major additions to and changes in international shipping services during 1990-91 involving Atlantic Canada Ports are summarized below:

- *Orient Overseas Container Line (OOCL) announced that it will end its Far East/East Coast shipping service in December, 1991. The Port of Halifax, as part of this service, will no longer be a port of call for the line. The reasons given by OOCL officials for ending the service were "marketing and customer driven". OOCL will now serve its central Canadian customers through western U.S. ports.*
- *Zim Container Lines expanded its operations in Halifax in November with the arrival of the 3200 TEU Zim Canada, which replaced the 2,300 TEU vessels which had been calling at Halifax.*

- *Evergreen Lines began offering a new service from Halifax to the Canary Islands ports of Tenerife and Las Palmas via a weekly feeder service from Valencia, Spain.*
- *The National Shipping Company of Saudi Arabia , offering service to the Middle East and Far East, increased its calls on Halifax to twice monthly from every 19 days. The service is also faster, making the voyage from Halifax to Jeddah in 16 days, down from 21 days.*
- *The 178 TEU M/V Mathilde commenced service and replaced a larger vessel on UM Holdings Limited's Boston to Halifax feeder service. The vessel is in Halifax twice one week and once the next, providing additional service between the two ports.*
- *A new roll-on/roll-off vessel, the 274 TEU Ocean Ady, replaced the 60 TEU Langlade, between Halifax and the French islands of St. Pierre and Miquelon in May. The larger vessel was required to handle rapidly increasing trade.*
- *Kent Lines of Saint John chartered a new vessel, the 15,000 tonne M/V Canadian Forest to replace the 7,000 tonne M/V Irving Forest which was lost at sea in January, 1990. The ship was used between Saint John and western Europe in 1990, before being chartered to resupply troops in the Persian Gulf.*
- *Grancolumbiana, which pulled out of Saint John in March, 1990 (see APTC's annual report 1989-90, page 19), returned in December after signing a joint operating agreement with Compagnia Sud Americana de Vapores. The agreement means faster turnaround times for both companies, and cuts transit times from Saint John to Caribbean ports of call from 24 to 15 days.*
- *Torm Lines of Denmark began calling on Saint John in late December, 1990, taking on a breakbulk cargo for West Africa. The company plans to expand its breakbulk and container business in Canada.*
- *SafBank Line began a monthly breakbulk and container service (20 foot and 40 foot dry containers) to Saint John with direct sailings to South Africa and Mozambique.*
- *The Sea Shuttle Inc. service between Bayside and New York was discontinued in September due to low traffic volumes.*

Halifax's increasing traffic volumes created a need for additional facilities. Halterm announced a $13 million capital expenditure, which included a fourth container crane and additional handling equipment. The crane is expected to be operational by the spring of 1991. Halterm also announced a $1.2 million plan to extend its gantry crane trackage at Pier C on to Pier B, increasing the flexibility of the new gantry crane and give Pier B ship-to-shore capability. The Fairview Cove terminal, operated by Cerescorp, installed its third gantry crane, along with container handling equipment, at a cost of $10 million. At the completion of the gantry crane, Cerescorp President, Chris Kritikos, indicated that Cerescorp was looking at expanding their terminal by adding another berth and an additional 30 acres of handling capacity in five years time. The cost of the expansion was estimated at $100 million.

Concerns have been expressed about the port's future competitiveness in light of CP Rail's purchase of the Delaware & Hudson Railway, which links central Canada and the American east coast Ports of New York and Philadelphia.

The federal government gave the Port of Saint John a grant of $2 million towards the interest payments on $6.6 million the Port Commission owes on the Rodney container terminal, constructed in the early 1980s. The operator of the port's forest products terminal, Forterm, is lobbying the Saint John Port Corporation for expansion of its terminal, in hopes of increasing exports of forest products and paper to Eastern Europe, where demand is expected to increase ten-fold in the years to come. The Forterm facility is already operating at above its designed capacity.

The Saint John Harbour Development Commission was reactivated in October, 1990. The objective of the Commission will be to promote and help stimulate business at the port. The previous Saint John Port Development Commission became inactive for a short time after the Saint John Port Corporation took over the administration of the port from Ports Canada.

A $4.8 million cold storage facility was announced for the Port of Bayside and became operational in March, 1991. The facility was financed in part by the Atlantic Canada Opportunities Agency.

A $3.9 million expansion program for the Port of St. John's was announced in 1990. The project will include property acquisition, redevelopment and realignment of streets and sewers. The expanded facilities will enable the port to efficiently handle the movement of some

550,000 tonnes of general domestic cargo movement through the eastern region of the province. The improvements should also allow better access for trucks from the Trans Canada Highway to the port and companies in the area. A $3.5 million contribution to build a new arterial route from the Port of Corner Brook to the Trans Canada Highway was also announced.

A statistical summary of traffic handled at Port Canada ports in the region is provided in *Table 5*. Halifax reported strong growth in the first three quarters of 1990, but traffic declined in the final quarter resulting in an overall increase of 3%. The first quarter of 1991 has also been below 1990 levels, although port officials are quick to point out that the first quarter of 1990 was an exceptional period of growth for the port. Shipments through the Port of Saint John indicate a 2% increase in total volumes, although container volumes fell 11%. St. John's tonnages increased by 7%. The Port of Sydney experienced a drop in total tonnage from 1.65 million tonnes in 1989 to 1.29 million tonnes. A $9 million expansion of the wharf at Bayside in 1989 resulted in tonnages more than doubling in 1990. Corner Brook volumes increased by more than 10%.

## *Ferries*

*Table 6* on page 22 illustrates ferry operating statistics for the major ferry operations in Atlantic Canada. Automobile and passenger traffic declined on most ferry services in 1990, with the exception of the North Sydney to Argentia run, where the federal Transport Minister's decision to allow a longer operating season created a significant jump in the operating statistics from 1989. Commercial vehicle traffic on both ferry services to and from Prince Edward Island increased again in 1990, for the fourth consecutive year. This is further illustrated in *Graph 2* on page 23.

Marine Atlantic's 1,400 ferry workers voted 70% in favour of strike action in mid-1990 to back contract demands. The APTC, along with other companies and organizations, wrote to the

*Table 5*

**WATER CARGO TONNAGE LOADED OR UNLOADED AT PORTS CANADA PORTS**
**(In Metric Tonnes)**

| Calendar Year | Saint John | Halifax | St. John's | Belledune | Total |
|---|---|---|---|---|---|
| | | **ALL CARGO** | | | |
| 1990 | 14,989,628 | 17,286,821 | 1,045,248 | 316,085 | 33,637,782 |
| 1989 | 14,711,000 | 16,783,936 | 976,632 | 360,845 | 32,832,413 |
| Variance | 278,628 | 502,885 | 68,616 | -44,760 | 805,369 |
| % Change | 1.89% | 3.00% | 7.03% | -12.40% | 2.45% |
| | | **GENERAL OTHER CARGO*** | | | |
| 1990 | 944,271 | 550,267 | 169,383 | — | 1,663,921 |
| 1989 | 1,069,000 | 490,529 | 141,874 | — | 1,701,403 |
| Variance | -124,729 | 59,738 | 27,509 | — | -37,482 |
| % Change | -11.67% | 12.18% | 19.39% | — | -2.20% |
| | | **CONTAINER CARGO** | | | |
| 1990 | 117,717 | 3,909,129 | 402,529 | — | 4,429,375 |
| 1989 | 132,000 | 3,888,819 | 393,762 | — | 4,414,581 |
| Variance | -14,283 | 20,310 | 8,767 | — | 14,794 |
| % Change | -10.82% | 0.52% | 2.23% | — | 0.34% |

* Excludes bulk cargo

Source: Canada Ports Corporation

Minister of Transport expressing concern over the threatened strike and the loss of service not only to Prince Edward Island and Newfoundland, but also to trade links between Nova Scotia and New Brunswick and Nova Scotia and New England. In its letter, the APTC reminded the federal government of its constitutional obligation to provide a continuous connection to Newfoundland and Prince Edward Island. The strike did not materialize and a tentative agreement was signed several weeks later.

Marine Atlantic announced a rate increase effective January 1, 1991, on its ferry services in Atlantic Canada, intended to provide an overall revenue yield of 6%. This varied between the different services, from an 8% increase in commercial vehicle rates between Borden and Cape Tormentine to a decline of 18% on the Yarmouth to Bar Harbour ferry for 20 to 30 foot trucks. Rates on the coastal Labrador freight service were adjusted by varying amounts by Marine Atlantic to ". . . bring them more in line with transportation

*Table 6*

**FERRY OPERATING STATISTICS FOR ATLANTIC CANADA**

| Service | Year | Passengers | | Automobiles & Pick-Up Trucks | | Trucks & Tractor Trailers | |
|---|---|---|---|---|---|---|---|
| **MARINE ATLANTIC SERVICE** | | | | | | | |
| Cape Tormentine - Borden | 1990 | 1,791,286 | -3.0% | 637,510 | -0.8% | 160,002 | 5.0% |
| | 1989 | 1,847,317 | | 642,696 | | 152,450 | |
| North Sydney - Port aux Basques | 1990 | 362,350 | -5.9% | 102,087 | -3.0% | 55,949 | -6.1% |
| | 1989 | 384,873 | | 105,288 | | 59,565 | |
| North Sydney - Argentia* | 1990 | 44,486 | 58.7 | 13,023 | 66.3% | 370 | 255.8% |
| | 1989 | 28,026 | | 7,829 | | 104 | |
| Yarmouth - Bar Harbour | 1990 | 116,001 | -5.6% | 31,862 | -4.9% | 3,479 | -2.2% |
| | 1989 | 122,914 | | 33,504 | | 3,557 | |
| Saint John - Digby | 1990 | 213,667 | -9.6% | 54,972 | -11.5% | 21,049 | -3.7% |
| | 1989 | 236,326 | | 62,098 | | 21,862 | |
| **NORTHUMBERLAND FERRIES LIMITED** | | | | | | | |
| Wood Island - Caribou◆ | 1990 | 529,385 | -3.5% | 176,457 | -2.6% | 24,934 | 17.5% |
| | 1989 | 548,563 | | 181,099 | | 21,228 | |
| **PRINCE OF FUNDY SERVICE** | | | | | | | |
| Yarmouth - Portland ▪ | 1990 | 165,085 | -7.0% | 29,756 | -0.9% | 1,127 | 2.5% |
| | 1989 | 177,565 | | 30,015 | | 1,099 | |

* 1990 operated June 15 to October 26
1989 operated June 12 to September 10

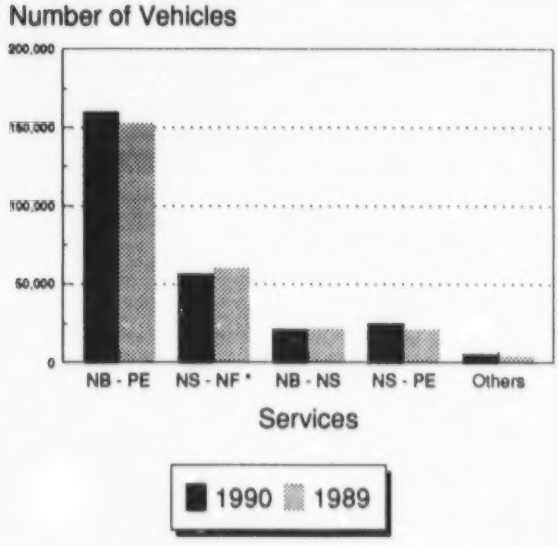
◆ 1990 operated April 27 to December 20
1989 operated April 24 to December 6

▪ 1990 operated May 3 to October 21
1989 operated May 4 to October 21

Source: Marine Atlantic Inc.
Northumberland Ferries Limited
Prince of Fundy Cruises Limited

*Graph 2*

**COMPARISON OF TRUCK AND TRACTOR TRAILER TRAFFIC FOR ATLANTIC CANADA FERRY SERVICES**




* North Sydney - Port aux Basques

Source: Marine Atlantic Inc.
Northumberland Ferries Limited
Prince of Fundy Cruises Limited

charges elsewhere and to improve cost recovery." according to Marine Atlantic officials. Some of these increases were up to 60% over the 1990 rates. This matter is outlined more fully on page 41. Marine Atlantic also imposed a 5% fuel surcharge in October to offset some of the increases experienced by the carrier. The surcharge was applied to all passenger and vehicle fares and all freight tariffs.

Atlantic Provinces motor carriers expressed dissatisfaction over the increases in rates to Prince Edward Island which, according to the Atlantic Provinces Trucking Association (APTA), have increased 100% ir the past decade. Many of the carriers have also been faced with waiting times of an hour or more each way. A survey conducted by the APTA indicated that an average of 516 trucks per week were delayed one or two sailings, which was an estimated as a loss of $1.35 million per year in delays. This, in turn, impacts on the shippers and manufacturers of Prince Edward Island.

Marine Atlantic made several announcements in the past year. With a freezing of the company's operating budget by the federal government, Marine Atlantic took several measures to reduce its operating costs, including trimming staff and the removal of its toll-free reservations system. It was also decided, in conjunction with Northumberland Ferries Limited, to remove the toll booths on the mainland side of the Prince Edward Island service to reduce costs and speed up traffic flow. The fare system will be structured so that travellers will pay the round trip fare in one instalment. Traffic boarding the ferries at Cape Tormentine/Caribou will not be required to pay the fare; however, they will be required to pay the double fare when leaving the Island. Marine Atlantic also announced the company would waive its strict reliance on the $500 limitation on liability and that claims would be settled depending on evidence and circumstances. The Atlantic Provinces Trucking Association has negotiated with Marine Atlantic and its predecessors for 30 years to achieve this change.

The new ferry for New Brunswick's Grand Manan Island, the *Grand Manan V*, went into service in early August. The ferry has double the capacity of its predecessor, which should alleviate much of the waiting time experienced previously by residents and visitors to the island. Plans were also announced by Transport Minister, Sheldon Lee, for a new larger ferry to serve Deer Island. The ferry is expected to go to tender this spring, with a maiden voyage in 1992.

A new ferry between Bell Island and Portugal Cove, NF, was constructed and put into service in September, 1990. The new vessel, the *M/V Flanders*, with a capacity of 240 people and 36 cars, was expected to ease traffic constraints for people commuting to the Avalon Peninsula for work. However, in late March, 1991, a problem was discovered with the seal on the new ferry's hull, and it was returned to drydock. Shortly afterwards, the backup ferry, the *Katherine*, developed mechanical problems and experienced difficulties with heavy ice, leaving residents of Bell Island without ferry service. Service by the *Flanders* resumed in early April.

## *General Level of Rates*

As a result of federal transportation legislation and regulatory changes implemented in 1988, monitoring and reporting of freight rate increases continues to be a difficult task. A large

percentage of the freight traffic moving from, to or within the Atlantic Provinces moves under confidential contracts or via carriers who keep their freight rates confidential. Input received from shippers and manufacturers involved in the monitoring project being conducted by the APTC on behalf of the National Transportation Agency indicates that most companies experienced fairly stable freight rates, with most increases being at or below the rate of inflation.

Increases to freight rates published in available tariffs were generally between 6% and 6.5% for truck; 3% to 6% for rail; and 6% for air. Ocean rate conferences and independent carriers published a number of general rate increases, as well as currency and bunker fuel surcharges, during the year. An exception to these rates was the imposition of fuel surcharges after the Persian Gulf crisis began. Marine carriers increased their rates anywhere from 3.7% by ASL to some trans-ocean carriers who increased their bunker surcharges six-fold during the crisis. Air carriers generally increased their rates by 6% to cover fuel increases, while trucking companies increased their surcharges to a peak of 7% for truckload and 3.5% for less-than-truckload. By year end, most of the fuel related surcharges had been removed.

According to information supplied by the National Transportation Agency, there were 1,167 new confidential contracts issued by rail carriers in 1990, as compared to 623 in 1989. There were also 4,612 amendments to old contracts, as compared to 1,271 in 1989. Atlantic Canada's portion was 97 new contracts (8.3%) and 873 amendments (18.9%). Of the 97 new contracts, 8 involved traffic within Atlantic Canada, 35 from Atlantic Canadian points to points outside the region, 10 from points in the United States to Atlantic Canada, and 44 from central and western Canada to Atlantic Canada. It should be noted that a confidential contract may cover more than one commodity and that some contracts were amended more than once during the year.

## *APTC REGULATORY REFORM MONITORING*

The APTC has completed its fifth report to the National Transportation Agency of Canada on the "Impact of Federal Transportation Legislation on the Atlantic Provinces". This report, for the year 1990, monitors the impact on users of transportation, compares rates, service levels, availability, etc., with those in place during the base years 1986 and 1987; and the first two years of deregulation, 1988 and 1989. The APTC's mandate is to monitor similar information for the year 1991. This information will assist the NTA with its monitoring and reporting to the Minister of Transport on an annual basis, leading to a comprehensive review of the regulatory reform process by the NTA required in 1992.

The following highlights some key information gathered by the APTC from comprehensive questionnaires, interviews with transportation users, carriers, and Chambers of Commerce/Boards of Trade.

Three years after the implementation of the National Transportation Act, 1987, and the Motor Vehicle Transport Act, 1987, shippers have remained generally positive toward the level of service provided by the carriers. In general, rate levels have remained stable with the majority of shippers experiencing either no change in rates or increases of less than 5%. However, operating cost and taxation increases (such as fuel) in 1990 has left some carriers expressing concern over difficult financial positions.

An increasing number of rail carload and rail intermodal users regard confidential contracts as positive for their operations. A number of shippers experienced an increase in rates under confidential contracts, while tonnage moved has experienced little change in 1990.

The railways have indicated that most of the lines they intended to abandon in 1988 throughout the Atlantic Region in the short term (three years) have now either been abandoned or are in the process of being abandoned. They continue to complain over the amount of public funds invested in roads, expressing the view that truckers have an unfair advantage.

Shippers using truckload services have continued to enjoy the same or higher levels of service with little change in rates. Similar results were recorded by users of less-than-truckload services.

Motor carriers, again in 1990, expressed concern over the increasing level of competition combined with declining freight volumes during the year. The factors which lead to the truck blockade in other parts of Canada had less impact in Atlantic Canada, although the blockade did cause some difficulty in getting goods into and out of the region. Carriers generally expressed satisfaction with the less time consuming application process for extra-provincial licencing.

Motor carriers continued to express concern over the need for upgrading of the highway network in Atlantic Canada. An upgrade of the Trans Canada Highway in New Brunswick began in 1990, and plans for continued expansion of the four lane highway network in Nova Scotia were announced.

Air mode users had a mixed reaction to levels of service in 1990, as trunk carriers continued to drop service to smaller centres, although most services were replaced by regional carriers. One airline, Intair, discontinued service to the Atlantic Region in 1990. Improvements in aircraft fleets, airport facilities and levels of service generally created an acceptable level of satisfaction for users in the Atlantic Region. Concerns were expressed over the level of fares by a number of air mode users. Major concerns for the air carriers in 1990 included increased fuel costs as a result of the Persian Gulf crisis, a planned bilateral air agreement between Canada and the United States, and the proposed charges as outlined in the Phase II discussion paper on cost recovery.

In the marine mode, the Port of Halifax experienced another year of growth, although traffic declined late in the year. Port officials have expressed fears over the port's future competitiveness with American east coast ports with the takeover of the Delaware & Hudson Railway by CP Rail. CN Rail has indicated that plans for an intermodal terminal and double-stack rail operations from Halifax are on hold because of financial difficulties.

Shippers have indicated that they consider themselves more familiar with the Shipping Conferences Exemption Act, 1987, in 1990 than in 1989. Again in 1990, most companies indicated that the Act has had little impact on their marine transportation.

A number of issues and concerns identified under this heading are dealt with separately in this report.

## *ROYAL COMMISSION ON NATIONAL PASSENGER TRANSPORTATION*

Prime Minister Brian Mulroney announced in the fall of 1989, a Royal Commission on National Passenger Transportation in Canada. The Commission headed by Louis Hyndman, a Senior Partner in the law firm of Field & Field in Edmonton, has the broad mandate to ". . . inquire into and report upon a national integrated intercity passenger transportation system to meet the needs of Canada and Canadians in the 21st century and to ensure that transportation links among Canada's regions and communities are maintained and improved."

During the course of 1990, the Commission invited submissions and held public hearings from coast to coast. Although the APTC does not focus on passenger issues, it has been acknowledged by the Commission that passenger issues cannot be isolated from freight issues. Submissions have come from companies such as CP Rail, provincial governments, provincial Chambers of Commerce, as well as the Atlantic Provinces Transportation Commission (APTC).

The APTC's submission emphasized three major issues: the Atlantic Region perspective; the inter-relationship between passenger and freight service; and regional highway/railway needs.

The critical importance of transportation to Atlantic regional economic development and the need to minimize transportation costs to lessen the impact of distance to markets was emphasized. The Atlantic Region Freight Assistance program was identified as the cornerstone of transportation policy for Atlantic Canada, and attention was drawn to the emphasis placed on transportation as a key to regional development as contained in the National Transportation Act, 1987.

A number of inter-relationships between passenger and freight services were identified in all modes; including air, marine, rail and highway. The need to consider the impact of any passenger related policy changes on freight transportation was stressed.

The heavy reliance on highway transportation, combined with the urgent need for highway upgrading throughout the region was identified. The submission pointed to the inability of the governments of the Atlantic Provinces to adequately respond and stressed the need for the federal government to bear a significant share of the funding required. Also discussed was the need to ensure that the Atlantic Region continues to be served by the railways, along with the need to establish a means of preserving an essential rail core network which is considered to be vital to regional economic development.

Prior to holding public hearings, at the invitation of the Royal Commission, the APTC met informally with the Chairman and some of the Commissioners and discussed the railway abandonment process and the APTC's position on the need to ensure the preservation of at least a core or essential rail network in the region.

The Royal Commission finished Phase I of its public hearings on December 7, 1990, in Prince George, BC. It is in the process of writing an interim report for the Governor-in-Council for April 19, 1991. A final text is expected by October, 1992.

## *MOTOR CARRIER LICENCING DEVELOPMENTS*

The year after the implementation of the Motor Vehicle Transport Act, 1987, was one of problems due to lack of uniformity in implementation of the Act by provincial licencing authorities, which resulted in excessive delays and costs incurred by motor carriers applying for licences. Improvements in the efficiency of the licencing process began in 1989 and continued to improve in 1990. The intended ease of market entry was being attained by motor carriers throughout the region. A notable exception was the continuing (and unsuccessful) efforts of Sunbury Transport to obtain a New Brunswick Extra-Provincial General Freight Truckload licence as outlined below.

### *Applications for Extra-Provincial Licences*

The New Brunswick Court of Appeal rejected an appeal by Sunbury Transport Limited to overturn the New Brunswick Public Utilities Board ruling denying the carrier's application for a licence to move truckload freight within, and to and from all points in New Brunswick.

Sunbury had appealed the decision to the New Brunswick Court of Appeal in November, 1989, with the hearings subsequently held in October, 1990.

The decision has been the most recent event in a process that began with hearings into the licence application in June, 1988, which were completed in August, 1989. This was outlined in last year's annual report.

Sunbury appealed on fifteen grounds with eight subsidiary grounds. In the decision of the New Brunswick Court of Appeal, which denied the appeal, these grounds were consolidated into four principal points: the Motor Carrier Board failed to define the "market" about which it had to make its decision; the Board failed to distinguish between "extra" and "intra" provincial applications; the Federal Policy Statement upon which the Board relied was too broad and therefore unauthorized; and the Board dealt with a far larger question than the one before it by taking a wide ranging look at Irving interests.

Regarding the definition of "market" the Court's decision stated, "Sunbury applied in writing setting forth specifically the licences it wanted in order to service a certain market. Lengthy hearings were held with testimony from experts and experienced truck owners. The Board made a decision within its jurisdiction and within its expertise."

On the constitutional issue concerning consideration of extra and intra provincial applications the Court concluded ". . . the legislature is not seeking to encroach upon matters wholly within federal jurisdiction. The legislature intended simply to authorize the Board to include in its assessment of the public interest the interprovincial or international commerce aspect when relevant while at the same time it was addressing the interests of the users of public transportation services. Such considerations become relevant when extra-provincial undertakings are being licensed by the Board as delegate of the federal Parliament."

Concerning the issue of reliance on the Federal Policy Statement the court noted that ". . . it is Parliament and not the Board which establishes the 'policy', or the object or purpose,

of the legislation." The decision continues indicating there is ". . . nothing wrong with the Board taking into consideration the concerns of Parliament as outlined in the federal Act and policy statement."

Regarding the Sunbury allegations that the Board should have confined itself to the issue of licences and not to a wide ranging look at Irving interests the court decision concluded, "For this Court to allow the appeal because some of the evidence relating to the Irving interests was immaterial or irrelevant, would unduly fetter the Board."

As a concluding observation, it is important to note that the Sunbury case involved exceptional circumstances and is not a reflection of the normal process for dealing with motor carrier applications in New Brunswick. This view is born out from discussions with motor carriers who generally indicate satisfaction with the speed and ease of the present process.

## *FEDERAL TASK FORCE ON THE TRUCKING INDUSTRY*

During late May and early June, 1990, a number of independent truckers protested what was felt to be a competitive disadvantage between Canadian and U.S. carriers. The Canadian carriers felt that high federal and provincial taxes, unfavourable depreciation allowances, deregulation, high interest rates and a lack of enforcement of laws limiting U.S. carriers activities in Canada placed them at a disadvantage. A number of highway blockades were set up at border crossings and other locations in Quebec, Ontario and British Columbia. While no blockades actually occurred in the Atlantic Provinces, many shippers in this region were seriously affected when carriers operating to and from the Atlantic Region were unable to get their vehicles past blockade points in Quebec and Ontario.

As a result of these blockades and in an effort to resolve the problems being experienced by the trucking industry in Canada, the federal Minister of Transport convened a task force on trucking industry problems. The APTC, as a member of the task force, prepared a brief and attended meetings of the task force held in August, 1990.

In its brief to the task force, the APTC emphasized its support for the principle that competition and market forces should be the prime agents in providing viable and effective transportation services in Canada as stated in the National Transportation Policy contained in Section 3 of the National Transportation Act, 1987. The APTC brief also pointed out the importance of the trucking industry to the regional economy of the Atlantic Provinces; and that the federal and provincial governments could address several of the concerns raised by the trucking industry through the stricter enforcement of existing laws and regulations.

The meetings of the task force focused on five major areas of concern. These were cabotage, taxation, uniformity of safety and other regulations, training and education, and activities of load brokers. Following the meetings of the task force, the federal Minister of Transport brought these issues to the annual meeting of the Council of Ministers for Transportation and Highway Safety held in St. John's, NF, in September, 1990. At that meeting, the Ministers endorsed efforts to enforce Canadian laws and regulations prohibiting the use of foreign drivers and equipment for domestic Canadian commerce. The Ministers agreed to a federal study of global transborder trucking competitive factors including the effects of taxation. It was also agreed that the Canadian Council of Motor Transport Administrators (CCMTA) would examine issues relating to load brokers, owner operator licencing and a code of ethics governing business relations between owner operators and carriers.

The federal study of transborder trucking competitive factors commenced in late 1990 and completion is anticipated in June, 1991. The APTC is represented on the steering committee overseeing the eight component parts which make up the overall study. The component parts are examining such topics as financial performance, costing, taxation, markets, economics and cabotage in the transborder trucking market.

The CCMTA also established a task force on owner-operator issues to examine problems related to that particular segment of the industry. The APTC, in a brief to the CCMTA task force, commented on issues relating to load brokers, regulatory control of owner-operators and the establishment of ethical standards governing owner operator/carrier relations. The final report of the CCMTA task force is also expected in June, 1991.

## VEHICLE WEIGHTS AND DIMENSIONS

In December, 1989, the Province of Ontario introduced legislation to amend its regulations to permit the use of vehicles with a maximum overall combination length of 25 m (82 feet) and trailers of 16.15 m (53 feet) length on designated highways. The use of such equipment would be subject to several additional technical specifications including a ban on air-lift axles. However, this legislation died on the order paper when a provincial election was called in the summer of 1990. The new Ontario government announced a decision in the fall of 1990 not to reintroduce legislation to permit the use of such longer length vehicles within the Province of Ontario. In the meantime, the Ontario Department of Transportation has issued up to 2,000 special permits for the use of 16.15 m (53 feet) trailers.

In March, 1990, the APTC wrote to each of the Ministers of Transportation in the four Atlantic Provinces pointing out that a number of shippers in the region could benefit substantially from the utilization of these types of equipment and that, consistent with the applicable safety standards and regulations, the use of such vehicles should be permitted on designated highways within the region. The responses indicated that the Atlantic Provinces, while acknowledging the economic benefits for shippers from the use of such longer length vehicles, are not prepared at the present time to allow their use on the predominately two lane highway system in this region due to safety considerations.

The Province of Quebec announced in May, 1990, that they would not be permitting the use of 16.15 m (53 feet) trailers. Quebec currently permits trailer lengths up to 15.5 m (51 feet). In an extensive discussion paper on vehicle weights and dimensions released in December, 1990, the Quebec Minister of Transport proposed a number of changes to vehicle weights and dimensions in that province aimed at implementing the provisions of the federal/provincial agreement on vehicle weights and dimensions of February, 1988; achieving greater uniformity with other jurisdictions; eliminating the need for special permits; and, reducing the damage being caused by heavy vehicles to the province's bridges and highways. It is anticipated that many of the changes will be implemented by the summer of 1991.

In September, 1990, the Canadian Council of Motor Transport Administrators organized a Committee on Weight Enforcement Uniformity. The focus of this committee is to identify opportunities to promote uniformity of weight enforcement practices. The committee is investigating discrepancies which occur between axle weights and gross weight, between shipper weights and highways scales and between different highway scales. Also being investigated are problems associated with weigh scales capability to properly weigh different axle groupings and the ability of static weighing to reflect operating axle loadings within the axle group.

The committee has requested input from a number of interested groups and organizations. The APTC responded with a number of comments and suggestions in regard to shippers' and carriers' responsibilities for weights and weighing.

## NATIONAL SAFETY CODE

The Province of Nova Scotia implemented provisions of the National Safety Code (NSC) relating to hours of service on September 1, 1990, thus completing implementation of the NSC within the Atlantic Provinces. The NSC is the result of a co-operative effort by industry and the federal, provincial and territorial governments to establish consistent safety standards for the operation of commercial motor vehicles throughout Canada.

The NSC is made up of 16 components including: driver qualifications, medical standards, equipment maintenance, security of loads, hours of service standards, and inspection and enforcement procedures. Many of the components of the NSC had previously been in force in Nova Scotia under various motor vehicle regulations.

The federal government implemented hours of service regulations on July 1, 1989, to regulate driving and on-duty time of drivers engaged in extra-provincial truck and bus undertakings. Similar provincial regulations were implemented in Newfoundland on March 31, 1989, Prince Edward Island on July 1, 1989, and New Brunswick on December 1, 1989.

## QUEBEC HIGHWAYS SPRING WEIGHT RESTRICTIONS

Prompted by concerns from shippers, in January, 1991, the APTC made a submission to the Quebec Minister of Transport concerning special weight restrictions imposed on highways throughout that province during the annual spring thaw period.

It was pointed out to the Minister that maximum axle and vehicle weights in Quebec during the spring thaw period are placed at a significantly lower level as compared to corresponding allowable weights in the Atlantic Provinces and in Ontario. In Quebec, the reduced weight limits apply to all highways in the province; whereas, in the Atlantic Provinces and Ontario, TCH and major arterial highways are not subject to special limits during the spring thaw except that overweight tolerances are not permitted.

As a consequence of this, and as pointed out in the submission, shippers in the Atlantic Provinces are required to reduce loadings each spring thaw period and incur significant cost penalties and rate surcharges imposed by truckers. It was also pointed out that, because Quebec is divided into two separate zones which overlap the corridor between the Atlantic Provinces and Ontario, including Quebec City and Montreal, the special weight limits apply over the full duration of the effective period of both zones which, based on the situation over the past seven years, is a period of from 50 to 70 days.

Unfortunately, these representations, along with similar submissions made by the Canadian Industrial Transportation League and the Quebec Trucking Association, failed to achieve any relief from the special weights limits in the spring of 1991. However, the zoning system was changed so that traffic between the Atlantic Provinces and Ontario will now only pass through one zone which now has fixed commencement and ending dates to govern for a five-year period beginning in 1991 with a time frame of 58 days (subject to exceptions as conditions warrant).

The question that remains is why must Quebec impose special spring weight restrictions on TCH and other major arterial highways when other provinces have found it possible to eliminate such restrictions? This policy is particularly noteworthy in the realization that Quebec allows weights which are 10% higher than New Brunswick, for example, during the remainder of the year. In contrast, the maximum payload during the spring thaw period in Quebec is estimated to be from 15% to 25% lower than on TCH in New Brunswick. Given the important objective of greater uniformity of highway regulations throughout Canada, it can be expected that this matter will come up for further consideration in the future.

## RAIL ABANDONMENTS

In the year under review, 149.5 miles of rail lines in the Maritimes were ordered abandoned by the National Transportation Agency. As a result of a Federal Court hearing, the NTA decision on the Chester Subdivision, representing 75.9 of these miles in the Province of Nova Scotia, was subsequently ordered reviewed. An application for leave to appeal concerning another 51.5 of these miles in northern New Brunswick has also been made. *Table 7* on the following page shows the rail lines abandoned, abandonments pending leave to appeal (including 46.3 miles ordered abandoned in 1989 which are still pending leave to appeal to the Federal Court), abandoned pending NTA review of its decision, as well as applications to abandon filed as of March 31, 1991.

### Essential Rail Network

The APTC had identified in January, 1989, a set of criteria for establishing an essential rail network. The APTC is of the opinion that rail transportation continues to be essential to regional economic development and, without a means of preserving lines that are part of an essential or core network, the entire network is in jeopardy. The APTC wrote to the Minister of Transport expressing concern over the shortcomings of the abandonment process. Although the public interest criteria in the Act are substantially the same as the ones identified by the Agency for essential rail networks, these cannot be considered by the Agency when dealing with an abandonment ap-

plication unless, at the time of the application, the line is economic or unless the line has a reasonable probability of becoming economic. The problem being that it is entirely conceivable that rail line abandonment applications could include lines that clearly meet the essential network criteria but cannot be considered in that respect by the Agency for the reason that, at the time of the application, they are uneconomic with no reasonable probability of becoming economic in the foreseeable future.

In the Minister's response, he acknowledged that there may exist a "theoretical/hypothetical case void"; however, until the National Transportation Agency orders the abandonment of an essential line, there is not sufficient reason to revise the abandonment provision.

*Table 7*

| Railway/Subdivision | Located Between | Total Miles | Status |
|---|---|---|---|
| | **NEW BRUNSWICK** | | |
| **Abandonments** | | | |
| CP/Shogomoc | Mileage 104.6 - Mileage 105.8 | 1.2 | Abandoned February 8/91 |
| CP/Edmundston | Mileage 0.0 - Mileage 20.4 | 20.4 | Abandoned February 8/91 |
| CP/Edmundston | Mileage 55.6 - Mileage 56.1 | 0.5 | Abandoned February 8/91 |
| **Subtotal** | | 22.1 | |
| **Abandonments Pending Leave to Appeal to Federal Court** | | | |
| CP/Shogomoc | Woodstock - Newburg | 2.7 | Abandonment Stayed• |
| CP/Shogomoc | Point North of Upper Kent - Point South of Aroostook | 16.1 | Abandonment Stayed• |
| CP/Shogomoc | Mileage 0.0 - Mileage 51.5 | 51.5 | Abandonment Stayed● |
| CP/Tobique | Perth Junction - Plaster Rock | 27.5 | Abandonment Stayed• |
| **Subtotal** | | 97.8 | |
| **Applications to Abandon** | | | |
| CP/Shogomoc | Mileage 54.2 - Mileage 88.5 | 34.3 | Application Filed June 6/90◆ |
| CP/Gibson | Mileage 0.0 - Mileage 22.0 | 22.0 | Application Filed June 6/90◆ |
| **Subtotal** | | 56.3 | |
| | **NOVA SCOTIA** | | |
| **Abandonments Pending NTA Review of Decision** | | | |
| CN/Chester | Barry's Stillwater Marsh - Liverpool | 75.9 | ■ |
| **Subtotal** | | 75.9 | |

• Ordered abandoned by the NTA on July 11, 1989, pending leave to appeal.

● Ordered abandoned by the NTA on February 8, 1991, pending leave to appeal.

◆ A public hearing was held on January 29, 1991, in Florenceville, NB, with no decision as of March 31, 1991.

■ Ordered abandoned by the NTA March 29, 1991. Leave to appeal to the Federal Court was granted on November 16, 1990. A Federal Court hearing was held in Ottawa on March 31, 1991, at which time the NTA was ordered to review its decision.

The Minister indicated that he intends to wait for the results of the four year review to be carried out in 1992 before considering any amendments to the abandonment provisions of the National Transportation Act, 1987.

### *Canadian Atlantic Railways*

Cost reductions and abandonment of under-utilized railway lines by Canadian Atlantic Railways have resulted in a major reduction in the annual deficit. The railway has managed to cut its annual operating losses almost in half since its formation in 1988. CAR is focusing on a core network with intermodal services linking the railway to the remainder of the region.

The Canadian Atlantic Railways proposed a plan in February, 1990, for the consolidation and rationalization of railway services in western New Brunswick. The plan provided for the continuation of railway services on segments of rail line that may have the potential for economic operation in the future, applications to abandon lines that showed no prospect of becoming viable, and a co-service arrangement between CAR and CN Rail.

The plan would have seen service maintained by CAR from Nackawic to Fredericton, Fredericton to Oromocto, Fredericton to Fredericton Junction, and Cyr Junction to Grand Falls. A co-service arrangement with CN Rail proposed that CN Rail would assume responsibility for serving CAR customers from Edmundston to Grand Falls, with CAR looking after CN Rail customers in the Fredericton and Oromocto areas.

By the end of 1990, the plan had been dropped. CN Rail rejected the proposal indicating that there is no direct benefit to them by entering into such an arrangement. Although the plan ultimately failed, it at least offered a unique alternative to the abandonment of under utilized rail lines.

### *Dominion Atlantic Railway (DAR)*

The DAR, part of the Canadian Atlantic Railways system, began moving most of its remaining operations from Kentville, NS, to Hantsport, NS, in May of 1990. The DAR has removed its rolling stock and intends to try to sell the seven hectares of property it owns in Kentville after completing the demolition of the old train station. Most of the remaining business conducted on the DAR involves its gypsum haul between Mantua and Hantsport. Freight traffic into Kentville amounts to only 125 to 150 carloads a year.

Citing heavy losses, CAR began plans to abandon a further 24.9 miles of railway between Hantsport and Coldbrook. The abandonment, if approved, would effectively eliminate all rail traffic west of Hantsport in Nova Scotia.

In May of 1990, Fred Green, General Manager of CAR at the time, submitted a brief to the Nova Scotia Legislature's Standing Committee on Economic Development. He emphasized the need to have a viable core rail network to handle future economic development, and the need by rail companies to be able to abandon light density branch lines when rail traffic has shifted to truck.

## *NEWFOUNDLAND TERMS OF UNION RATES - ACE COMPLAINT*

Near the conclusion of last year, and as recorded in the annual report for 1989-90, the National Transportation Agency (the Agency) issued a notice of public hearing into the matter of a complaint filed by Atlantic Container Express Inc. (ACE) that certain CN rates to Newfoundland are not developed in accordance with the Terms of Union. This action was taken despite the Agency's October 3, 1989, decision to the effect that the rates subject to complaint were in each case compensatory. However, in support of the need for the public hearing process, the Agency cited a number of changes in circumstances since the earlier decision of the former CTC Review Committee dated August 27, 1987.

Public hearings were held in St. John's on August 14 and 15 and in Corner Brook on August 20 and 21, 1990. The issues to be addressed as identified by the Agency were:

- Termination of the Newfoundland railway
- Changes in governing legislation
- Rate-making methodology vis-à-vis
  - Routing (North Sydney/Port aux Basques versus Halifax)
  - Confidential contracts
  - Compensatory rates
  - Railway equipment
  - The Agency's role

Submissions were presented by ACE, CN, Government of Newfoundland and Labrador, APTC, Town of Channel-Port-aux-Basques, Halifax-Dartmouth Port Development Commission and Peter Locke.

Much of the evidence and argument of the case centred on the wording of Term 32(2) of the Terms of Union and the decision of the CTC Review Committee. Term 32(2) reads as follows:

> *For the purpose of railway rate regulation the Island of Newfoundland will be included in the Maritime region of Canada, and through traffic moving between North Sydney and Port aux Basques will be treated as all-rail traffic.*

The CTC Review Committee concluded that "... to the extent that there is an identifiable Maritime structure, Newfoundland is entitled to rates based upon this structure."

The case presented by ACE was to the effect that changes have taken place since 1987 to render the application of the Terms of Union more limited than before. In effect, it was argued that to the extent CN rates to Newfoundland are based on the Terms of Union concept, the rates must be:

(1) limited to and based upon an identifiable Maritime rate structure;

(2) confidential contracts to the Maritimes should not be used as a basis for extrapolation; and,

(3) the terms and conditions as between Maritime and Newfoundland traffic must be comparable.

CN, the Newfoundland government and the APTC made a number of submissions in their appearances before the tribunal all centring upon the entitlement of Newfoundland to CN rates no higher than those applying to the Maritime mainland for similar commodities as increased to reflect the extended distance over the former rail routing via North Sydney/Port aux Basques. It was argued that this fundamental requirement under the Terms of Union is not altered by the type of railway equipment used, the type of rates involved (including confidential contracts), or the actual route used by CN to move the traffic. On the issue of the compensatory rate requirements, the submissions stressed that the Terms of Union rates represent the maximum rates CN can charge and it is only rates which are set at a lower level that are subject to such requirements. The submission of the Town of Channel-Port-aux-Basques was consistent with the foregoing except as to routing in relation to which it was argued that Terms of Union rates apply only via North Sydney/Port aux Basques. The submission of the Halifax-Dartmouth Port Development Commission was in support of the Terms of Union rates based on the interpretation of the Review Committee with emphasis given on the importance of the Halifax gateway as the preferred route of shippers.

At the conclusion of the year, the Agency had not rendered a decision in the matter.

A related action, which was reported in last year's annual report, was an appeal to the Federal Court filed by ACE from the decision of October 3, 1989, of the National Transportation Agency, as referred to earlier, on the grounds that there was a lack of procedural fairness and natural justice concerning the treatment of railway costs and confidential rates. Leave to Appeal was granted by the Federal Court on December 19, 1989, but, on November 16, 1990, before the matter had been dealt with by the Court, ACE filed a discontinuance thereby terminating the process.

# TRANSPORT CANADA COST RECOVERY

In August, 1990, Transport Canada released its Phase II Discussion Paper dealing with a "Proposed New Cost Recovery Policy". This paper further outlined proposals for guidelines and principles for increased cost recovery by Transport Canada for facilities and services provided to the marine and air modes which had been presented in an earlier discussion paper in May of 1987. The most recent discussion paper was intended to provide a basis for consultation with interested parties and users of Transport Canada's air and marine services and facilities.

The discussion paper outlined a number of user charges which Transport Canada proposed to implement in 1991. These proposed user charges are to be established based upon combined measures of relative use and benefit. The measures have been designed to achieve a compromise between the principles of cost of service and the value of service, according to Transport Canada.

The user charges to be increased or introduced under the new policy would be structured to yield $25 million in new revenues from the marine mode and $40 million in additional revenues from the air mode in the first year. In the air mode, the paper proposed increases to existing airport and aviation fees and to introduce a new local air navigation fee. Future action would include a new charge for enroute domestic air navigation services, moving towards site-specific landing and terminal fees and elimination of the present landing fee structure in favour of a single fee per tonne of maximum take-off weight. A new marine navigation service charge is proposed for the first year of the policy. It would apply to both domestic and international shipping. Future cost recovery proposals for the marine mode included ice-breaking and dredging fees.

Following consultations with a number of users, trade groups, industry associations and other interested parties, the APTC responded to the proposals. In its brief, the APTC stressed the importance of transportation in maintaining the economic well-being of Canada and emphasized the link between transportation and regional economic development. The brief went on to express a number of concerns with the proposed cost recovery policy as outlined in the discussion paper including:

- *Any cost recovery policy should have a clearly stated cost recovery target which should recognize the principle that a portion of the service provided must be considered for the general good of the nation and, therefore, not be recoverable from specific users.*
- *The proposed cost recovery policy must be carefully implemented to ensure that the policy will not be counter-productive to regional development objectives or hinder the ability of Canadian exporters to compete effectively in foreign markets.*
- *A commitment to implement serious cost control measures must be included in any cost recovery policy.*
- *The discussion paper indicates that development of the cost recovery proposals is incomplete in a number of areas. Also, current economic conditions plus several other government initiatives, including Canada-United States bilateral air negotiations and a study into government fleet rationalization, should be completed prior to the implementation of any new user fees.*
- *A detailed analysis of the potential impact of the cost recovery proposals should be conducted prior to implementation of the proposed policy. Such an analysis should include an assessment of the cost of all government fees and charges in relation to total costs and the effect of such charges on the competitiveness of Canadian products in international markets.*
- *The proposal for future user charges for such services as ice-breaking, dredging and escorting could potentially impose significant increased costs on users such that major shifts in traffic patterns could occur and the competitiveness of Canadian products could be jeopardized.*
- *The proposal to establish a maximum chargeable distance of 300 nautical miles for the marine navigation service charge is not justified on the basis of any cost or economic factors and is discriminatory to the Atlantic Region.*
- *The imposition of user fees to ferry services in Atlantic Canada is inappropriate and may be in conflict with constitutional or legal requirements.*

- *The proposed increases in user charges for the air mode appear to discriminate against regional air carriers.*
- *The establishment of a process whereby users can have meaningful input into the decision-making process is a prerequisite for the implementation of increased cost recovery.*

The APTC submission concluded that, while the APTC agrees with the objective of improving efficiency and reducing costs for the provision of transportation services and facilities, the proposed cost recovery policy fails to adequately recognize the requirements of regional economic development, will negatively affect the Canadian airline industry, particularly regional carriers, and requires further development to ensure equitable treatment among all users and reflect regional concerns.

Transport Canada had received a large number of responses to the discussion paper by the February 1, 1991, deadline for comments. The response of a number of organizations and groups indicates that significant opposition to the proposals, as outlined in the Phase II Discussion Paper, exists across the country. At the year end covered by this report, Transport Canada was continuing to evaluate the responses it had received and had not indicated when further action would be taken in regard to cost recovery.

## ATLANTIC PORT COMPETITIVENESS

Prompted by growing competition from U.S. east coast ports, the Halifax-Dartmouth Port Development Commission, in their paper "Diversion of Canada's Overseas Trade Over U.S. Ports: Countering the Threat", identified a number of factors which contribute to the heightened concern over the potential diversion of Canada's overseas trade to U.S. ports and the concomitant loss of shipping services at Halifax.

Some of the concerns identified in the submission included:

- *U.S. railways enjoy lower tax burdens and more flexible regulations governing their operations than Canadian railways;*
- *operating costs of Canadian railways are much higher than U.S. railways;*
- *U.S. government sponsored port improvements and port sponsored cargo incentive programs;*
- *fierce competition in international shipping and the growing dominance of Pacific Rim markets; and,*
- *the trend towards the deployment of larger container ships and the elimination of all but a limited number of key ports of call.*

In a letter to the Honourable Michael Wilson, Minister of Finance, the Atlantic Provinces Transportation Commission documented its support of the concerns identified by Port Commission. The APTC conveyed to the Minister that without the availability of door-to-door container services through the Ports of Halifax and Saint John, export markets would be lost. Reduced service levels combined with the increased cost of trucking to alternative ports such as the Port of New York, would place the Atlantic Region at a severe competitive disadvantage in overseas markets. The APTC further stated that the ability of the Atlantic ports to continue to attract shipping companies in competition with U.S. Atlantic ports is very fragile. The need to establish a double-stack train operation for the movement of import/export containers was identified along with the constraints of a higher tax burden placed upon the Canadian railways by both the federal and provincial governments as compared to their counterparts in the United States.

The APTC letter went on to urge the federal and provincial governments to seek an early remedy to problems of higher taxation and inadequate financial resources to develop and maintain a highly efficient and competitive double-stack train service for the movement of containers between the Port of Halifax and Central Canada.

An additional source of concern to Atlantic Canadian ports is the recent purchase by CP Rail of the bankrupt Delaware & Hudson Railway which will allow CP Rail direct access between Central Canada and the ports of New York/New Jersey and Philadelphia in the United States. This will contribute to the vulnerability of the Ports of Halifax and Saint John in terms of their ability to maintain or increase their status as container ports.

## TRANS BORDER AIR SERVICES LIBERALIZATION

On October 3, 1990, the federal Minister of Transport announced that the Governments of Canada and the United States had agreed to initiate negotiations to establish a new bilateral air transport agreement. All aspects of the bilateral air relationship between Canada and the United States, including scheduled and charter services for both cargo and passengers are to be addressed during the negotiations. The negotiations are to take place during 1991.

The current bilateral agreement between the two countries is considered to be out of date. It was first established in 1966 and last substantially revised in 1974, with subsequent revisions in 1984. The negotiations to be undertaken in 1991 will consider the creation of an open regime. Such a regime could allow carriers from each country to operate services between any point in one country and any point in the other country, as well as between any two points within either country.

The Minister invited input from all interested parties, including communities, provincial governments, the Canadian airline industry, trade unions, business associations and the travelling public. A Special Committee of the House of Commons conducted public hearings across the country during December, 1990, to obtain public input and hear the views of interested parties.

In a brief to the Special Committee, the APTC stressed the need for expanded trans border air service for both passengers and cargo between the Atlantic Provinces and the United States. The restricted routings permitted under the current bilateral agreement are no longer adequate or acceptable if the Atlantic Region is to take advantage of the market opportunities available as a result of the Free Trade Agreement.

The APTC submission also pointed out the danger to Atlantic Region carriers and to air service to specific Atlantic communities should a full open sky policy be agreed upon. The competitive difficulties the Canadian airline industry would face in an open regime were also outlined.

The Special Committee released its report in January, 1991. It recommended a more liberalized agreement governing air services between Canada and the United States but recommended against the granting of cabotage rights to U.S. carriers which would allow them to carry domestic Canadian traffic. Despite this recommendation, federal Transport Minister Lewis has indicated that, when negotiations commence in April, 1991, the prospect of an open regime will be explored, including cabotage rights. The Minister has, however, assured the Canadian airline industry that he would not approve an agreement which would put the Canadian industry at a greater disadvantage to the U.S. carriers.

## SCEA - OCEAN SHIPPING RATES

The Shipping Conferences Exemption Act, 1987 (SCEA), as its primary objective, exempts certain practices of shipping conferences serving Canada from the provisions of the Competition Act (non-conference shipping lines do not fall within the scope of SCEA). This Act introduced a number of features designed to clarify and narrow exemptions enjoyed by conferences; provide a more equitable balance between the interests of shippers and conferences; and to increase the scope for price competition among member lines of the conferences.

As part of the review of transportation regulatory reform to be undertaken by the federal government in 1992, SCEA will be subject to close scrutiny by all interested parties. Surveys by the APTC in the Atlantic Provinces and by the National Transportation Agency (the Agency) nationally reveal a general lack of familiarity with SCEA and a perception that the Act has had little impact or benefit to shippers. Specifically, with regard to the provisions authorizing the use of service contracts and independent action, the majority of respondents felt that these features had no effect on the way they did business.

In fact, based on the number of participating conferences and the number of filings of service contracts and independent action rates with the Agency, it is apparent that these features of the Act are receiving relatively little use. A major exception to this is the transpacific trades (in both directions) where extensive use is being made of independent action rates. There is a commonly held belief, although unconfirmed by the conferences, that market forces and the ability of shippers to obtain satisfactory rates through private negotiations with individual carriers (conference and non-conference) has resulted in little interest in service contracts and independent action rates.

In preparation for the 1992 SCEA review, both the Canadian Shippers' Council (CSC) and the Associated Conference Secretariat (ACS) submitted proposals to Transport Canada (the APTC is a member of the CSC). At the conclusion of the year under review, the CSC, which represents the interests of shippers with regard to SCEA, was finalizing plans for a series of focus group conferences in Halifax, Montreal, Toronto, Calgary and Vancouver. The purpose of these conferences will be to provide information and knowledge on SCEA and to secure input from shippers as to whether and in what form SCEA should be retained. The ACS proposal involves the establishment of an advisory board to discuss and exchange ideas on various issues related to SCEA and to provide the federal government with the views of the various sectors of the industry on these matters. Membership on the Board will include a representatives from shippers, carriers, freight forwarders, ports and other sectors of the transportation industry.

## *PILOTAGE*

As reported in last year's annual review, the Atlantic Pilotage Authority (APA) had applied on December 23, 1989, for an increase in the rates and charges for trips and movages in the compulsory pilotage waters of Atlantic Canada. The proposed increases varied considerably by pilotage area and ranged from a low of 1% at Bras d'Or, NS, to a high of 24% at Bay of Exploits, NF. This proposed increase was opposed to the National Transportation Agency (NTA) by a number of interested parties.

The NTA completed an investigation of the matter and released a staff investigation report in July, 1990. This report concluded that the APA had taken no measures during 1988 or 1989 to reduce operating costs or improve economic efficiency; that pilot productivity remained low and pilot remuneration remained high relative to the amount of work performed; that the major ports of Saint John and Halifax should not have to cross-subsidize smaller ports; and that the APA could improve its financial position by reducing costs and increasing pilot productivity without adverse effects on safety or service. Interested parties were asked to comment on the staff investigation report by September 26, 1990.

In October, 1990, the NTA issued its decision on the proposed pilotage rate increase. The NTA accepted the staff investigation report and adopted the conclusions contained therein. The NTA recommended that the proposed rate increases at Halifax, Saint John, Bras d'Or, Canso, Sydney, Holyrood, St. John's, Clarenville and the Miramichi not be implemented as they are prejudicial to the public interest. Proposed increases at Stephenville, Humber Arm, Bay of Exploits, Restigouche, Charlottetown, Pugwash and Come-by-Chance were allowed. Proposed maximum fees at Saint John and Come-by-Chance and proposed increases for supplementary and miscellaneous charges were not recommended. Under the Pilotage Act, the Agency's recommendations are binding upon the Pilotage Authority.

## *ATLANTIC REGION FREIGHT ASSISTANCE*

Payments under the Maritime Freight Rates Act and the Atlantic Region Freight Assistance Act for the fiscal year 1990-91 were approximately $97 million or roughly the same as the previous year. Details of the payments for the past two fiscal years are shown in *Table 8*.

### *Definition of Select Territory*

As reported in the APTC's 1989-90 annual report, an application was put forth by Gilles Bernier, M.P., requesting a decision by the National Transportation Agency with respect to the inclusion or exclusion of the amalgamated municipality of Vallee-Jonction, PQ, in the "select territory".

The APTC objected to any change in the definition of the "select territory" and pointed out that, in the administration of the ARFAA, the determining factor is not the boundaries of a municipality but rather the situation of a particular location with respect to Quebec Highway 173. In its decision, the Agency found that, for the purpose of the administration of the subsidy program, and in accordance with the definition of "select territory" under the ARFAA, movements originating from points east of Highway 173 which terminate in that part of the municipality of Vallee-Jonction, which was formerly known as a separate municipality, L'Enfant-Jesus, prior to its amalgamation with Vallee-Jonction, and situated west of that highway, are considered as movements terminating at points outside the "select territory". The decision became effective October 16, 1990.

*Table 8*

**TABLE SHOWING PAYMENTS UNDER THE ATLANTIC REGION FREIGHT ASSISTANCE PROGRAMS ($X'000)**

| Fiscal Year | Rail | Truck | Water | Total |
|---|---|---|---|---|
| | | **Intra-Regional** | | |
| 1990-91 | 7,371 | 41,115 | 884 | 49,370 |
| 1989-90 | 6,103 | 43,824 | 682 | 50,609 |
| | | **Westbound Basic** | | |
| 1990-91 | 10,696 | 23,770 | 0 | 34,466 |
| 1989-90 | 10,965 | 24,705 | 0 | 35,670 |
| | | **Westbound Selective** | | |
| 1990-91 | 5,418 | 8,514 | 0 | 13,932 |
| 1989-90 | 2,168 | 9,003 | 0 | 11,171 |
| | | **Total Payments - Intra-Regional and Westbound** | | |
| 1990-91 | 23,485 | 73,399 | 884 | 97,768 |
| 1989-90 | 19,236 | 77,532 | 682 | 97,450 |
| Increase or (Decrease) | 4,249 | (4,133) | 202 | 318 |
| % Change | 22.09% | 5.33% | 29.62% | 0.33% |

Source: National Transportation Agency of Canada

## *NATIONAL TRANSPORTATION AGENCY DECISIONS*

During the year under review, the National Transportation Agency issued decisions covering a number of issues. Several of these decisions, covering such matters as rail abandonments, and definition of select territory under the Atlantic Region Freight Assistance Program, are covered in detail elsewhere in this report. Some NTA decisions included:

### *Amalgamation of ASL and ACE*

On November 9, 1990, the NTA received notice of the proposed acquisition by Oceanex Holdings Limited Partnership of 100% interest in Oceanex Limited Partnership, currently known as Atlantic Searoute Limited Partnership (ASL). With this transaction, ASL proposed to acquire the assets and operations of Atlantic Container Express (ACE). On December 31, 1990, the NTA received an objection filed on behalf of the Seafarers' International Union of Canada (SIU). The SIU objected to the proposed acquisitions as being against the public interest because it would have the effect of lessening or, to a great extent, eliminating competition in the affected market which would have a negative effect on collective bargaining rights and industrial peace. Although the SIU withdrew its objection on March 4, 1991, the NTA continued its review and advised that a decision would be issued. After reviewing the proposed acquisitions in question the NTA decided that, in its opinion, the proposed acquisitions are not against the public interest.

### *Final Offer Arbitration*

During 1990, the first application for final offer arbitration was referred to an arbitrator. A decision was rendered within the 90-day time limit. The dispute concerned freight rates offered by CN to Parrish and Heimbecker Ltd., for a single car movement of grain from Hanover, ON, to Montreal, PQ, and Halifax, NS. The arbitrator ruled in favour of Parrish and Heimbecker Ltd. and CN subsequently applied to the NTA to set aside the decision of the arbitrator on the grounds that the rates chosen were below compensatory levels. The NTA concluded that the decision of the arbitrator was final and binding and denied CN's application.

### *Passenger-Train Service*

Pursuant to its mandate to review applications to discontinue passenger-train services at five year intervals, in September, 1990, the NTA reviewed and ordered continuance of the Quebec North Shore and Labrador Railway passenger service. The NTA found that the area required the service, particularly in consideration of unreliable roads and the relatively high cost of air service.

## *FUTURE OF GRAIN ELEVATORS IN ATLANTIC CANADA*

In last year's annual report, it was recorded that, as a result of the termination of the "At and East" export grain and flour subsidy effective July 15, 1989, the APTC developed a proposal for a differential rate structure for the movement of export grain and flour to the Ports of Halifax and Saint John. The purpose of the proposal is to make the Atlantic ports competitive with St. Lawrence ports for the movement of export grain and flour with the objective of ensuring long-term viability of the grain elevators at Halifax and Saint John.

Bill C-26, an Act to amend the Railway Act (i.e., to formally terminate the "At and East" rate structure), was debated at length during the early part of 1990 and referred to the House of Commons Legislative Committee on Bill C-26. Having earlier appeared before the House of Commons Standing Committee on Transport, at which time the APTC advanced for adoption the differential rate proposal, a similar presentation was made to the Legislative Committee on May 17, 1990. Appearances in support of the APTC submission were made by the Atlantic Farmers' Council and Dover Mills Ltd.

On May 16, 1990, the Ministers of Agriculture and Grains and Oilseeds announced a study to address concerns about the future of grain handling facilities in the Atlantic Region. The study examined the financial viability of the existing elevators at Halifax and Saint John. It also examined the feasibility of a seaboard elevator in Prince Edward Island. In addition to an examination of the APTC differential rate proposal and a unit train proposal submitted by the Halifax-Dartmouth Port Development Commission, the study assessed the impact of a number of policy changes and other external factors on the viability of the elevators (e.g., corn countervail, import permits, Feed Freight Assistance, etc.).

A number of regional governments and trade organizations, including the APTC, were represented on the study Steering Committee. The Steering Committee played an active role in formulating the Terms of Reference along with the selection of the consultants. On August 30, 1990, Agriculture Canada announced the appointment of Gardner Pinfold Consulting Economists Limited of Halifax, in association with the firm of Fiander-Good Associates Limited of Fredericton, to undertake the study.

The study was completed with the final report delivered to the federal Ministers late in 1990 followed by public release in March, 1991 ("Grains 2000 - Atlantic Elevators Study, November, 1990"). The consultants found that the Halifax elevator is viable for the short term and, given only a modest expenditure to attract additional export grain through the facility, could be made viable for the long term. The report confirmed that closure of the Halifax elevator could raise feed costs for livestock producers in the Atlantic Provinces by $10 a tonne or more, while reducing their security of supply. The Saint John elevator was handling only export grains when it closed in May, 1990.

In specific terms, it was stated by the consultants that to ensure the reinstatement of a significant volume of export grains through Atlantic elevators, the freight costs must be equalized or nearly equalized with St. Lawrence ports. The report noted that, because water equalization costs are lower than rail costs, implementation of such a program should maximize the volume shipped by water but left the door open to allow the use of rail to the extent required because of logistical constraints (i.e., storage capacity/seasonality).

In the case of Saint John, the report discusses an agri-food multi-use cargo handling and

storage facility under study for that port and observes that this might be combined with a dry bulk terminal facility suitable for handling feed grains.

Regarding a seaboard grain handling facility in Prince Edward Island, the consultants concluded there is insufficient grain traffic to and from the island at this time to justify a single-use facility. The consultant recommended that Transport Canada consider a multi-use facility to replace the potato handling terminal at Summerside.

The Honourable Charles Mayer, Minister of State for Grains and Oilseeds, stated, "This report shows how important the Halifax elevator is to the Atlantic agri-food industry and what can be done to assure its future. We will continue to monitor its viability. But we are not closing the door on Saint John. We are willing to examine proposals for that port as well." At the conclusion of the year, according to available information, specific action to address the findings of the report was under consideration.

At the conclusion of the year, Bill C-26 (the termination of the "At and East") was still awaiting third and final reading by the House of Commons.

## *AGRI-FOOD TRANSPORTATION INITIATIVES*

In November of 1989, Agriculture Canada released a discussion paper entitled "Growing Together". The paper launched a major process of Agri-Food Policy Review. This review was undertaken by a number of task forces and committees studying a number of major agricultural issues including: supply management, marketing and trade development, food safety and quality, safety nets, sustainable development, financing and management, and agricultural transportation issues.

The transportation committee was given the mandate to analyze the implications of possible changes to current policies related to three programs; the Western Grain Transportation Act (WGTA), Feed Freight Assistance (FFA) and Minimum Compensatory Rates (MCRs) for canola. The committee identified options to the existing agricultural transportation programs and commented on the implications of each option and the linkages between programs.

In its report issued in July, 1990, the transportation committee outlined the various options considered. In relation to the feed freight assistance program, the options included a removal of restrictions, resource neutral grain/livestock development programs, paying the subsidy directly to livestock producers, and enhancing the program. Options for the WGTA covered the method of payment, efficiency and costs of grain handling and pooling options. Options in relation to MCRs are whether or not they should continue or be eliminated. The report of the committee concluded that further analysis of feasible combinations of the options was required before any recommendations could be made.

The report of the transportation committee was presented to the federal/provincial Agriculture Ministers' meeting in Moncton, NB, on August 23, 1990. The Ministers agreed on the importance of having the most efficient grain handling and transportation system possible. The federal government was given the task of preparing a further discussion paper to consider costs and efficiencies with and without a change in the method of payment under the WGTA. Such topics as rail branch line rationalization, elevator consolidation, ports and the freight rate level and structure are examined. This discussion paper was released on February 28, 1991, and interested parties were asked to respond by April 15.

In January, 1991, the Atlantic Farmers Council organized the Atlantic Canada Feed Policy Conference in Moncton, NB. The purpose of the conference was to discuss the existing and proposed policies, programs and practices that pertain to livestock and poultry feed supply in Atlantic Canada. The conference agreed that a task group should be established to plan and draft a proposed policy to reflect the interests of Atlantic Canada in achieving and maintaining a competitive livestock and poultry industry.

## PRINCE EDWARD ISLAND FIXED CROSSING

The Environmental Assessment Panel reviewing the Northumberland Strait Crossing Project released its report in August, 1990. The panel concluded that, ". . .the risk of harmful effects of the proposed bridge concept is unacceptable", with the recommendation that the project not proceed. The harmful effects identified by the panel included a possible one or two week delay spring ice break-up; possible damage to marine spawning grounds from scouring caused by additional bridge-induced near-shore ice; the difficulty in attributing actual effects of the proposed bridge on the marine ecosystem limiting the effectiveness of fishery compensation programs; and lack of socially acceptable solutions for the majority of displaced ferry workers.

The panel addressed the commercial transportation issue by stating, ". . . the operation of a bridge or other fixed crossing would result in greater convenience to operators of transportation services when compared to the present ferry service. Increased convenience would allow savings in transportation costs and a greater ability to compete successfully for mainland markets." However, an improved ferry service or a tunnel could also be acceptable, according to the panel.

On November 21, 1990, the Public Works Minister released the federal government's response to the Environmental Panel report which states that the government will develop, in consultation with a committee of ice experts, ". . . a procedure to ensure that the panel's principal concerns, including a maximum ice-out delay of two days over a period of 100 years, can be met by the developers before continuing with the screening stages of this project." The federal government's response addressed all of the issues of the environmental panel and identified a course of action to the extent they felt appropriate.

Immediately following the government's November response to the environmental report, the APTC Chairman wrote a supporting letter to the Minister of Public Works restating the APTC's position that, ". . . a fixed crossing of the Northumberland Strait offers the best means of providing a long term, efficient transportation connection for both passengers and freight between Prince Edward Island and the mainland."

The appointment of a four-member panel of ice experts was announced by the Public Works Minister, Elmer MacKay, in mid-January, 1991. The ice experts will review the current computer model of a bridge's effect on spring ice-out delay and comment on whether the specific bridge proposals by the three developers will meet the criterion of a two-day delay in the ice-out over a period of 100 years. The report will focus on the scientific and technical aspects of ice conditions and will be released publicly. Public Works Canada will then continue its evaluation of the fixed crossing proposals.

## FEDERAL SALES TAX REFORM

The federal government proceeded with its program of sales tax reform by the implementation of the Goods and Services Tax (GST) on January 1, 1991. The new tax, which replaced the manufacturers sales tax, was introduced at a rate of 7%. Domestic transportation services became subject to the GST. International freight transportation services, including both inbound and outbound services, are zero-rated. Provision has been made to allow domestic freight services to be zero-rated where the contracting shipper provides a declaration that the shipment is part of a continuous outbound international shipment. Shippers will be eligible to claim an input tax credit or a refund equal to the amount of the GST paid in relation to transportation services purchased.

Prior to the implementation of the GST, a concern arose in relation to the treatment of the subsidy payments under the Maritime Freight Rates Act (MFRA) and the Atlantic Region Freight Assistance Act (ARFAA) under the GST. The APTC pursued the matter through discussions and correspondence with the Department of Finance, Revenue Canada and the National Transportation Agency. The APTC felt that the GST should only apply to the net amount of the freight invoice presented to the shipper and that all payments by the Government of Canada under the MFRA and ARFAA should remain outside the GST. This would simplify the process for all concerned.

Following the discussions, Revenue Canada issued a ruling which requires carriers to charge the 7% GST on each invoice or claim in relation to the total charge for the transportation service. This requires that carriers collect the GST from both the shipper on the freight invoice and from the federal government on the amount of the subsidy claim. This requirement for carriers to collect the GST from both the shipper and the government creates an administrative burden for the carriers and increases their compliance costs.

## ARGENTIA FERRY SERVICE

As discussed in last year's annual review, the federal Minister of Transport, early in 1990, released the report of a study into the merits of extending the operation of the North Sydney-Argentia ferry service beyond the seasonal 13 week summer operating period.

The report examined three options; an extended seasonal service, a year-round freight service with a seasonal passenger service, and a year-round freight and passenger service. The report commented on the overall marginal costs and benefits and the economic impact of each of the service extension options. The report made no specific recommendations to the Minister favouring one option over another.

Following the release of the report, a number of organizations, communities and other interested parties expressed their views concerning an extended period of operation for this ferry service. The APTC wrote to the Minister expressing concern that a year-round service between North Sydney and Argentia could place the operations of competing private sector operators in jeopardy. The services provided by these private sector firms are a critical component in a well-balanced and competitive system of transportation for Newfoundland. Significant curtailment or loss of these services would have a major negative impact on the future availability of adequate, efficient and competitive transportation serving Newfoundland, with concomitant economic consequences for transportation users.

The APTC does not accept the qualification outlined in the report that careful monitoring of the traffic flow would be an adequate safeguard to protect the long term interest of shippers and receivers of Newfoundland and Labrador. The APTC recommended to the Minister that neither the second or third option be implemented unless and until adequate and meaningful safeguards can be put in place to prevent any distortion in the competitive relationship between carriers.

After receiving a number of submissions on the matter, the Minister of Transport announced an extension of the seasonal service. The 1990 schedule was extended by six weeks to 19 weeks in length, terminating at the end of October. The 1991 season will be 22 weeks in length, commencing on June 4 and ending on October 30. In announcing the decision, the Minister noted that only 23% of Gulf traffic takes place in the November to May period and only 2% in January and February. He also acknowledged the concerns expressed for the future of private freight services should a year-round service be implemented. The Minister will review his decision following the 1991 season.

## LABRADOR TASK FORCE REPORT

The Labrador Service Task Force was established in 1986 in response to complaints received from local residents and as a result of a concern that the annual contract payment to Marine Atlantic was high for the volume of traffic carried. Also, the future direction of the coastal service and possible modernization of the system were to be studied. The objectives of the Task Force were to recommend immediate improvements to operational procedures and to make recommendations to meet the forecast long term needs of the service, plus an examination of a proposal for an additional ferry to operate between St. Anthony and Goose Bay.

APTC's last annual report identified that the Labrador Task Force Report had made significant recommendations for Marine Atlantic regarding improvements in operating procedures, increasing freight rates and fleet rationalization.

APTC's response has been forwarded to the Transport Minister, Doug Lewis, dated November 1, 1990. The APTC had a number of concerns regarding the report as identified below.

### *Island Terminal Ports*

The recommendation to limit the Labrador service to one main terminal through Lewisporte was unacceptable. The concept would reduce the costs associated with the water portion of the transportation, but it overlooked the fact that a large proportion of the freight for Labrador originates from, or is funnelled through, St. John's. The resulting need to use overland transportation to Lewisporte would place an additional and substantial burden on the transportation costs for moving goods into Labrador. This would have a negative impact on the economy of the area and negatively affect the ability of suppliers in eastern Newfoundland and the Maritime mainland to remain competitive in the Labrador market.

### *Fleet Configuration/ Service Levels*

The APTC felt it was not in a position to do a detailed evaluation of the recommendation to rationalize the fleet assigned to the Labrador service which called for a reduction to five vessels including two new vessels. The APTC submitted that a service frequency to Goose Bay of at least weekly from St. John's and twice weekly from Lewisporte is a minimum standard.

### *Freight Handling/ Equipment Utilization*

The recommendations to improve handling methods through the acquisition of additional containers, chassis and forklifts to increase efficiency were supported. The unitization of freight should be encouraged but care must be taken to ensure that shippers are given the opportunity to unitize freight at their own premises where practical, or otherwise ensure that unreasonable charges are not imposed on shippers for unitization performed by Marine Atlantic at their marine terminals.

### *Freight Rates*

The recommendation to double freight rates to and from coastal communities was strongly rejected. The coastal rates have been subject to major recent increases and re-adjustments in the past, including regular increases exceeding inflation in recent years. The APTC feels it would be unreasonable to impose such a severe increase at this time. Slight increases in excess of inflation could be accommodated but major increases would be very disruptive to the fragile economy.

Subsequent to the APTC's representations, the Marine Atlantic coastal freight rate structure has undergone some major changes. Increases of up to 60% have been made in the rates from, to and between all coastal ports in Newfoundland and Labrador served by Marine Atlantic. Charges for accessorial services, as well as minimum charges, have also been increased. Complete details of these changes were conveyed by the APTC to shippers throughout the Atlantic Provinces.

The APTC, in its review of the Labrador Task Force Report, suggested that in many respects the report is "out of date" and that the entire matter should be carefully reviewed in the broader context of the multi-modal implications of proposed changes.

## *NATIONAL HIGHWAYS POLICY STUDY*

Work has been completed on the third phase of the National Highways Policy Study and the Phase 3 Steering Committee Report was released in September, 1990. The third phase concentrated on two tasks; a consultation process with a wide base of interested parties was undertaken to receive comments on the results of Phases 1 and 2 of the study. Also, a comparison on Canadian funding practices with those of other countries was undertaken. The APTC participated in the consultation process as was reported in last year's annual review (page 36).

The Phase 3 report indicates that reasonably strong support exists for a national highways policy in Canada, especially for a policy that involves spending existing road revenues on roads and highways before adding additional road user taxes. In Australia, Germany, Great Britain, France, Spain, Italy and the United States, highway transport plays a significant role in the transportation of passengers and freight. These countries have all established policies for the provision and maintenance of required highways at the national level and have established a national highways system.

The report concludes that, while Canada has an extensive highway system which reflects the geographic size of the country, annual spending for this system, on a per kilometre basis, is less than that of most of the other countries in the comparison. This is possibly a reflection of the absence of a national highway policy in Canada. Canada also falls behind three other countries in terms of annual road expenditures as a percentage of annual road revenues. Canada returns 61% of road revenues to the highway and road network, Australia 124%, the United States 100%, and Germany 63%.

The Phase 3 report recommends that, given the work accomplished in the first three phases of the study, the indication of support for a national highways policy in Canada, and evidence from other economically developed countries, further work be undertaken to formulate and implement a national highways policy for Canada.

As a result of this report, a fourth phase of the study has been undertaken to identify funding options for the establishment and maintenance of a national highways system in Canada.

## CANADIAN TAX LAWS - INTERNATIONAL MARINE CENTRES

It was reported in last year's annual report that a proposal developed for the Asia Pacific Initiative (API), calling for changes in Canadian tax laws to encourage "mind and management" of international shipping to locate in Canada, met with a positive response from numerous trade groups, including the APTC.

In February, 1991, the Honourable Mary Collins, Associate Defence Minister, announced changes in the Income Tax Act effective March 1 in response to the API proposal. Under the amendments, existing Canadian shipowners and any new shipowners that establish in Canada will be exempt from corporation income tax to the extent that all or substantially all of their activities and earnings are derived from international shipping activities.

## SERVICE TO INDUSTRY

The primary objective of the APTC is to provide assistance to business and industry in the Atlantic Provinces on transportation matters, in order that they may become more competitive in the marketplace. The APTC provides a wide range of assistance on matters such as rate and services information, expertise on rate negotiations, information on carriers' liability, subsidy programs, transportation regulations, rail abandonments, and private truck costing, to name a few. Much of this work is of a very specific nature and, to a significant degree, confidential. Accordingly, it is not possible to provide detailed coverage in this report. However, to give an indication of the broad range of matters dealt with during the past year, the following is provided.

Extensive computerized tabulations of freight rates for particular industry groups were undertaken at regular intervals again this year. Rate tabulations on potatoes from New Brunswick and Prince Edward Island to Ontario and Quebec were distributed to the potato industry. Similar statements were prepared for the feed industry on inbound feed and feed ingredients from Central and Western Canada, for the peat moss industry, as well as the fertilizer industry.

A number of inquiries were received from both industry and carriers on such topics as transport of dangerous goods, carriers's liability, terms and conditions of carriage, settlement of loss and damage claims and application of the GST. While the APTC is not an arbitrator in these matters, information is provided based on past experience and knowledge, as well as the availability of technical articles and material in the APTC library.

A large number of inquiries were received for information relating to the Atlantic Region Freight Assistance Program from both shippers and carriers. The APTC assisted a number of shippers in their application for commodity eligibility of their product under the Atlantic Region Freight Assistance Act selective westbound subsidy. These applications are processed by the Federal/Provincial Committee on Atlantic Region Transportation.

Regional industrial development commissions and various government departments requested information in the past year on many transportation matters from cost and location analysis to government policies and regulations.

The APTC prepared a variety of freight rate statements covering the various modes of transportation in response to requests from companies shipping a wide range of commodities throughout the Atlantic Region.

A detailed private truck cost analysis was conducted by the APTC on behalf of a Maritime bakery.

A Prince Edward Island company was assisted in verifying freight charges and given advice on potential freight cost reductions for their future shipments.

At the request of the Newfoundland Agri Food Task Force, various rate statements to, from and within Newfoundland were prepared. Assistance was also provided in identifying ARFAA payments that relate to Newfoundland.

A potential Newfoundland manufacturer was provided with a detailed statement of estimated freight rates from Newfoundland to Central Canada and United States destinations.

A significant and increased number of regional companies called on the APTC during the year for guidance on potential or actual shipments

to overseas markets. The APTC secured numerous ocean rate quotations on behalf of these companies covering a variety of different commodities.

The APTC evaluated a rate quote on behalf of a Newfoundland industrial development agency to enable them to present meaningful information to their client.

The New Brunswick Department of Commerce & Technology was provided with a statement of potential truck and container rates for the movement of rope for a potential client.

At the request of a New Brunswick company, APTC assistance was provided in obtaining rate quotes for the movement of bulk material from New Brunswick to Central Canada.

A New Brunswick food company was provided with a statement of published rates on perishable products from Maritime origins to various Central Canadian destinations.

Stemming from a complaint which was expressed by a company in Northern New Brunswick regarding small parcel transportation in their area, the APTC contacted a number of shippers and carriers in the area in order to determine the extent of the problem. This company was also provided with a detailed statement of small parcel charges.

Through the New Brunswick Department of Commerce & Technology, a potential manufacturer of frozen foods was provided with a statement showing the rate differential from three New Brunswick locations.

The APTC supplied a potential New Brunswick manufacturer of adding machine paper with a statement of transportation rates and charges based on quotes received from a number of carriers to Canadian, United States and overseas destinations.

A Nova Scotia company was provided with a detailed analysis of freight costs to the United States based on quotes received on their behalf from various carriers.

A Nova Scotia manufacturer of solar heating equipment was assisted in obtaining truck quotes to a number of United States destinations.

## *MEETINGS AND CONFERENCES*

In addition to being a member and participating in regular meetings of the Transportation Committees of several regional trade organizations, the following summarizes the APTC's participation in meetings and conferences during the past year where an address, prepared report, or a specific leadership role was involved:

*Table 9*

| Date | Conference/Meeting/Organization | Nature of Participation |
|---|---|---|
| | **1990** | |
| April 20 | Canadian Feed Industry Assoc./Atlantic Division Annual Meeting | Report |
| April 25 | New Exporters to Border States Workshop | Address |
| April 26 | Corner Brook Rotary Club | Address |
| May 28 | Atlantic Provinces Chamber of Commerce Annual Meeting | Report |
| June 18 | Nova Scotia Provincial Trade Development Officers | Address |
| July 19 | Royal Commission on National Passenger Transportation | Discussion |
| August 15/21 | NTA (Newfoundland Case) Public Hearings | Submission |
| September 13 | Halifax Shipping Association | Address |
| September 13 | Royal Commission on National Passenger Transportation | Submission |
| September 25 | New Exporters to Border States Workshop | Address |
| September 25 | Transportation Association of Canada Annual Conference | Address |
| October 2 | New Exporters to Border States Workshop | Address |
| October 5 | Canadian Feed Industry Assoc./Atlantic Div. Semi-Annual Meeting | Report |
| November 14 | New Exporters to Border States Workshop | Address |
| December 4 | Parliamentary Committee on "Open Skies" | Submission |
| | **1991** | |
| January 28/29 | Atlantic Feed Policy Conference | Address |

## OTHER ACTIVITIES

Despite the continuing decline in the number of publicly available published tariffs, the APTC issued 3,833 *Rate Advices* during the past year, an increase of almost 9% from the previous year. The role of advising the shippers of Atlantic Canada of rate changes remains an important part of the mandate of the Commission.

The monthly newsletter, *"Tips & Topics"* continues to be published, with an average circulation of 3,100 copies. A readership survey conducted in September, 1990, assisted in focusing *"Tips & Topics"* on topics which its readers found most useful. After a review, it was decided to continue to distribute *"Tips & Topics"* free of charge but, as a means of economizing, efforts were in place at the conclusion of the year to update the mailing list and to limit distribution to those who specifically request the publication.

The Commission maintains a close association with a number of organizations both within and outside the Atlantic Region. Specifically, liaison is maintained with the Atlantic Divisions of the Canadian Manufacturers' Association, New Brunswick Potato Shippers' Association and the Prince Edward Island Potato Board. The APTC is a member of the Transportation Committees of the Annapolis Valley Affiliated Boards of Trade; Halifax Board of Trade; Canadian Feed Industry Association (Atlantic Division); Maritime Lumber Bureau; Nova Scotia Forest Products Association; Transportation Sector of the Voluntary Planning Group of Nova Scotia; and the Saint John Board of Trade.

Membership is maintained in such organizations as the Atlantic Provinces Chamber of Commerce; Canadian Port Development Forum; Canadian Shippers' Council; Canadian Transportation Research Forum; Greater Moncton Chamber of Commerce; and various transportation clubs throughout the region. The General Manager is a member of the Canadian Chamber of Commerce Transportation Committee and the Maritime Regional Advisory Council (on port matters), as well as being a Director of the Canadian Shippers' Council. In addition, the General Manager served as a member of the Transportation Sectoral Group of the New Brunswick Premier's Round Table on Environment and Economy, as well as on a special committee formed to examine transportation constraints affecting the viability of Trenton Works-Lavalin Inc. railway car plant. This included the preparation of a report on the company's transportation situation. The Assistant General Manager served as a member of the federal Minister's Task Force on Trucking Issues. The Assistant General Manager served on a steering committee of the Nova Scotia Surface Freight Transportation Study (Travel 2000).

Membership in these various organizations has enabled the APTC to maintain a strong presence and provide knowledgeable assistance to the business community. In addition, many companies, government agencies, organizations and individuals have utilized the APTC's library and file information in preparing reports on transportation matters.

The APTC continued to offer assistance to Atlantic Canadian companies dealing with the federal government. Such issues included termination of the "At and East" subsidy, the threatened Marine Atlantic strike, the highway blockades by independent truckers, railway traffic liability, coasting trade regulations, owner-operators, and the threat posed to the Port of Halifax by the purchase of the Delaware and Hudson Railway by CP Rail.

The Commission represented the concerns of Atlantic Canadian shippers to many carriers on such matters as rates, service, dangerous goods regulations, and loss and damage claims.

## COMMISSION DIRECTORS

During the past year there was one change in the APTC Board of Directors consisting of the appointment of **Gerald Comeau** of Church Point, NS, in May of 1990 by the Government of Nova Scotia. Senator Comeau is affiliated with the Université Ste. Anne and was appointed to the Senate in August, 1990. At the conclusion of the year, the Commission enjoyed the benefit of a full slate of Directors.

As part of its affiliation with the Atlantic Provinces Chamber of Commerce, the President of the APCC serves as an ex officio Director of the APTC during his or her term of office. The policy of the Chairman, as opposed to the President, of the APCC fulfilling this role was reviewed and clarified at the APTC annual meeting held in June, 1990, with the result that the President, namely David Miller of Moncton, NB, is an ex officio member of the APTC Board.

## STAFF CHANGES

On June 1, 1990, Jack A. MacQuarrie, formerly Transportation Analyst, was appointed to the position of Transportation and Distribution Officer. Jack joined the APTC in 1987 and has been responsible for the transportation legislation monitoring project.

On June 1, 1990, Brian A. Botten, formerly Tariff Clerk, was appointed to the position of Research Analyst. Mr. Botten joined the APTC in 1988 and serves as a specialized resource person.

On November 1, 1990, Daniel E. Long joined the staff of the APTC and was appointed to the position of Research Analyst. Mr. Long holds a B.A. from Mount Allison University and is in the final stages of completing his MScE degree in Transportation at the University of New Brunswick in Fredericton.

The APTC staff has undergone some major changes and realignment during the past few years with the objective of strengthening expertise in the area of transportation economics and costs, together with an enhanced ability to respond to the Commission's advocacy role.

## ACKNOWLEDGMENTS

*The Chairman, Directors and General Manager express to the governments of the four Atlantic Provinces sincere thanks for both the financial support received and the personal cooperation and assistance rendered to the APTC by their appointees to the Board of Directors. Without this financial support and the participation of the governments and their officials in the APTC's work, the benefits of the Commission to the industrial and business community would not be possible.*

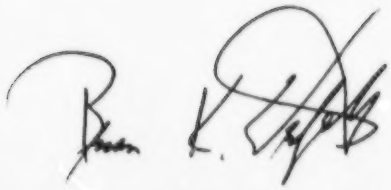
*The support of the Atlantic Provinces Chamber of Commerce, in the form of appointments to our Board of Directors, is an important part of the Commission's structure. Through these appointments, together with the participation of the APCC President on our Board, the business community is well represented and this is gratefully acknowledged.*

*Also, the APTC's work would not be successful without the cooperation of the carriers serving the region. This cooperation is mutually beneficial and the thanks of the Directors and staff go to the carriers and their agencies.*

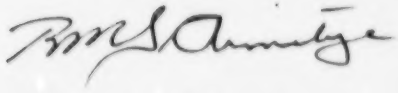
*The success of the APTC's work during the year is due, in no small measure, to the direction and support given by the Board of Directors. These Directors serve without remuneration and represent a broad range of economic interest and a wide geographic representation from throughout the four Atlantic Provinces. The Chairman and General Manager express their thanks to this dedicated advisory group.*

*Finally, without a loyal and dedicated staff, the APTC's work would not achieve for business and industry the success that it does. The APTC is indeed fortunate to have such a staff. To them, the Chairman and General Manager extend sincere thanks for discharging their duties in a conscientious and efficient manner.*

*All of which is respectfully submitted.*



*Brian K. Wentzell*
*Chairman*



*Ramsay M. S. Armitage*
*General Manager*

## APTC HISTORICAL NOTES

| ORGANIZATIONAL NAME | YEARS |
|---|---|
| Atlantic Provinces Transportation Commission | 1969 - |
| Maritimes Transportation Commission | 1951 - 69 |
| Transportation Committee of the Maritime Board of Trade | 1928 - 51• |
| Maritime Freight Rates Committee | 1925 - 28 |
| **APTC CHAIRMEN** | |
| Brian K. Wentzell | 1988 - |
| George Key | 1985 - 88 |
| E. S. Bailey | 1983 - 85 |
| Elwood S. Dillman | 1980 - 83 |
| George D. Wright | 1978 - 80 |
| Glendon F. Eddy | 1976 - 78 |
| Norman H. Smith* | 1974 - 76 |
| David G. Burchell | 1971 - 74 |
| J. M. Crosby* | 1963 - 71 |
| A. Murray MacKay* | 1954 - 63 |
| L. W. Simms* | 1950 - 54 |
| D. R. Turnbull* | 1945 - 50 |
| J. D. MacKenna* | 1940 - 45 |
| D. R. Turnbull* | 1938 - 40 |
| J. D. MacKenna* | 1936 - 38 |
| D. R. Turnbull* | 1934 - 36 |
| A. P. Paterson* | 1925 - 30• |
| **APTC MANAGERS** | |
| Ramsay M. S. Armitage | 1988 - |
| Craig S. Dickson | 1960 - 88 |
| Howard A. Mann | 1955 - 60 |
| Rand H. Matheson | 1934 - 55 |
| Frederick C. Cornell* | 1925 - 30• |

* Deceased

• Following the beginning of the Depression in 1929, the operation of the Commission under a full time Manager ceased from June 30, 1930, to August 1, 1934.